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https://www.quaser.com/tw/

# Quaser Machine Tools, Inc.

# 2023 Annual Report

Published on: April 11, 2024

#### 1. The Company's Spokesperson and Acting spokesperson:

## (1) Spokesperson:

Name: Hsieh, Tien-Hsin Title: General Manager

Tel: 04-26821277

Email: quaser@qmt.com.tw

## (2) Acting spokesperson:

Name: Chan, Hui-Yen

Title: Internal Audit Supervisor

Tel: 04-26821277

Email: quaser@qmt.com.tw

## 2. Addresses and Telephone Numbers of the Head Office, Branch Offices and Plant:

Address of the Company and its Plant: No. 3, Gong 6th Rd., Youth Industrial Park,

Dajia Dist., Taichung City

Tel: 04-26821277

## 3. Name, Address and Telephone Number of the Stock Transfer Agency:

Name: Fubon Securities Co., Ltd. Stock Affairs Department

Address: 11F, No. 17, Xuchang St., Zhongzheng Dist., Taipei City

Website: http://www.fubon.com

Tel: 02-23611300

## 4. CPAs Certifying the Latest Financial Statements:

Names of CPAs: Wu, Chun-Yuan and Chang, Tzu-Hsin

Name of CPA Firm: KPMG

Address: 7F, No. 201, Sec. 2, Wenxin Rd., Xitun Dist., Taichung City

Website: https://home.kpmg/tw/zh/home.html

Tel: 04-24159168

## 5. Venue for Trading the Company's Listed Overseas Securities and Inquiry Method for Such Overseas Securities: Nil.

## 6. Company Website:

https://www.quaser.com/tw/

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#### I. Letter to Shareholders

Greetings to all shareholders, ladies and gentlemen!

We would like to express our gratitude to our shareholders for their support over the past year, and we appreciate you sparing time from your schedules for attending the 2024 Regular Shareholders' Meeting of the Company.

In 2024, the persisting regional wars have impacted international energy and transportation hubs, leading to a noticeable slowdown in global economic growth momentum. Global economic forecasts are generally revised downward compared to 2023. Furthermore, extreme weather events resulted from climate change have disrupted global supply chains. Business transformation is incorporated with high-tech elements and improved operational efficiency to ensure competitive edge and resilience, thereby realizing long-term development and sustainable operations as critical forces.

In response to the challenges of slow global economic growth and various risks, the Company has adopted an industry transformation and implemented lean policies over the past few years, including cost control, R&D of high-value-added products, and optimizing customer product portfolios, all of which have made significant progress. The Company have adhered to the core principles of VISION ENGINEERED & VISION MANUFACTURED, seeking solutions for new challenges, and have realized customers' visions by successfully developing design and manufacturing equipment for customers in the semiconductor and hydrogen fuel cell industries. During the pandemic which the aerospace and machine tool industries faced sharp recession, the Company has focused on diversifying operational risks, extending operations to the hydrogen fuel cell, semiconductor, and medical equipment industries, enabling Quaser to maintain stable growth despite the global downturn in the machine tool industry over the past two years. The Company will continue to infuse its brand spirit into products and the global market for enhanced international brand awareness; in the meantime, the Company continue to improve the work environment and talent retention policies to ensure the stability of human resources, enabling the Company to maintain competitiveness and revenue performance above peers amid economic fluctuations.

Overall, with the support of shareholders and the efforts of all employees in a dynamic environment, the Company achieved revenue growth in 2023 and maintained profitability at a certain degree. Hereby, we express our gratitude to all shareholders on behalf of the Board of Directors of Quaser Machine Tools, Inc. The company's 2023 business overview and 2024 business plans are briefed as follows.

#### 1. Business Report of 2023

#### (1) Operating Performance of 2023 Business Plans

Unit: NT\$/ Thousand

|                                |           |           | · · · · · · · · · · · · · · · · · · · |
|--------------------------------|-----------|-----------|---------------------------------------|
| Items                          | 2023      | 2022      | Growth Rate (%)                       |
| Consolidated Operating Revenue | 2,770,750 | 2,583,957 | 7                                     |
| Consolidated Gross Profit      | 776,670   | 653,945   | 19                                    |
| Consolidated Operating Income  | 209,088   | 64,381    | 225                                   |
| Basic Earnings per Share       | 2.02      | 1.98      | 2                                     |

Description:

In 2023, the net consolidated operating revenue was NT\$2,770,750 thousand, increased by 7% compared to NT\$2,583,957 thousand in 2022. This growth was primarily driven by customers in the semiconductor and hydrogen fuel cell markets; both appreciating EUR-USD exchange rate and tweaking in sales strategy into promoting high-end models have contributed to the gross margin growth in 2023 to 28%-an improved figure compared to that in previous years and the historical high

since the Company's OTC listing; meanwhile, as the shipping cost for a majority of the transactions became born by the customers and the Company continued to control expenses, a YoY decrease in overall operating expenses by 4% has been achieved, resulting in the consolidated operating income for 2023 at NT\$209,088 thousand, a significant increase of 225% compared to NT\$64,381 thousand in 2022; however, while the USD and EUR exchange rates were stronger in 2023 than in 2022, they did not result in the significant exchange gains experienced in 2022, leading to a substantial reduction in non-operating income compared to the same period last year. As a result, the consolidated net profit after tax for 2023 was NT\$110,993 thousand, a 2% increase compared to NT\$108,881 thousand in 2022.

(2) Comparison of 2023 and 2022 Profitability:

| Items                                            | 2023  | 2022  |
|--------------------------------------------------|-------|-------|
| Ratio of Operating Income to Paid-in Capital (%) | 38.05 | 11.72 |
| Ratio of Pre-Tax Income to Paid-in Capital (%)   | 33.59 | 25.96 |
| Profit Ratio (%)                                 | 4.01  | 4.21  |
| Earnings per Share (NT\$)                        | 2.02  | 1.98  |

The Company saw growth in a majority of the profitability indices in 2023 compared to those in 2022. The exception lies in the profit ratio, which experienced slight decline owing to increased income tax resulting from heightened corporate tax in UK as well as reduced imputation tax credit compared with the preceding year.

#### (3) R&D Status:

The ESG wave has fueled increased valuing and acceleration of the solid oxide fuel cell development amongst various nations. Among them, the electrode plays a crucial role, as it is adjacent to both the electrolyte and the connector in the fuel cell stack whilst reacting with the fuel gas and transferring electrons. Within such reactions, porosity and precision are relatively important. In 2023, the Company completed the fully automated production line for laser drilling and inspection, improving the efficiency of drilling from 25um diameter, 1,200 holes per second to 21um diameter, 2,000 holes per second. The fully automated inspection production line significantly enhances customer production efficiency. The Company will continue to engage in forward-looking technology and customized models to enhance product value and deepen the market's awareness of our new brand concept, establishing connections with world-class international manufacturers.

#### 2. Operation Plans for 2024

Quaser serves as a foundry for globally renowned brands and actively evolves the own brand of Quaser/Winbro with its development strategy which attach equal attention to OEM/ODM and own brand, developing an innovative environment and exploring the opportunities for gaining new growth momentum.

## (1) Manufacturing Strategies

- 1. In the midst of a global shortage of labor and skyrocketing labor costs, the establishment of automated production lines and the upgrade of Enterprise Resource Planning (ERP) systems are among the key focuses for the Company's future development.
- 2. In the era of geopolitical trends, the Company has established additional production facilities in mainland China to meet its domestic market demand and prepare for localized services.

## (2) Sales Strategies

- 1. Optimizing global deployment, seeking strategic partnerships, actively expanding our business, and focusing on high-tech and high-growth markets.
- 2. Establishing regional technical application centers to provide more closely integrated post-sales services tailored to different regions and industries.

## (3) R&D Strategies

- 1. Enhancing R&D capabilities in Europe and the United States in addition to the existing R&D teams in Taiwan and UK to realize customer visions in an expedited manner and address specialized demands from different industries.
- 2. Developing and designing in-house main spindles and other key components to enhance machine processing stability, differentiate and enhance the competitiveness of our products.
- 3. Adopting a development and design of new model led by our European branch incorporated with cross-border collaboration among R&D teams to leverage group synergies and better meet the needs of users in Europe.

### 3. Future Development Strategies of the Company

In an unstable global environment where supply chains face challenges from war, energy shortages, currency tightening, and climate change, the Company continues to expand and deepen our presence in various industries to diversify operational risks.

- 1. Aerospace industry
- 2. Automotive industry
- 3. Metalworking industry
- 4. Hydrogen fuel cell industry
- 5. Medical devices industry
- 6. Semiconductor industry

The Company continues to invest in smart machinery development and accelerate expansion into Eastern Europe to seize opportunities in supply chain restructuring. From product development to mass production and after-sales service, the Company implements carbon reduction concepts at every step while enhancing employee welfare and working environment, actively nurturing talents, and striving to build a sustainable business.

## 4. Impact of External Competitive Environment, Regulatory Environment, and Overall Operating Environment

In the past two years, the machine tool industry encountered heightened operating cost resulting from currency exchange rates, high inflation in major developed countries, global labor shortages, and significant increases in raw material costs. In the meantime, geopolitical factors and climate change have also increased the challenges of carbon reduction initiatives for businesses. Nevertheless, in recent years, the Company has devoted itself to smart machinery development, expansion into the hydrogen fuel cell industry, and the establishment of additional production facilities in mainland China, which have positioned us in the forefront of the trend to address various changes, ensuring sustainable operations and stable growth.

Chairman: 瑞 Raui-Mu Shieh General Manager: Tien-Hsin Hsieh



Accounting Supervisor: Yu-Hsin Lin



## II. Company Profile

1. Establishment Date: May 23, 1991

## 2. Company History

| Year | Milestone                                                                                                                                                                      |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1991 | • Quaser Machine Tools, Inc. was established in May by Mr. Hsia, Hsi-Pao and Mr. Shieh, Raui-                                                                                  |
| 1//1 | Mu with an initial capital of NT\$10,000 thousand.                                                                                                                             |
|      | • Produced the first generation of vertical milling machining center MV-204 and the first                                                                                      |
| 1992 | generation of moving column milling machining center MK-60.                                                                                                                    |
|      | • Processed a cash capital increase to increase the paid-in capital to NT\$36,000 thousand.                                                                                    |
|      | • In August, Hurco Companies, Inc. of the U.S. invested US\$250,000 (equivalent to NT\$6,662.5                                                                                 |
| 1994 | thousand) in the Company through the approval of the Department of Investment Review, increasing the paid-in capital to NT\$42,662.5 thousand with OEM production of MX series |
| 1774 | products for Hurco Companies, Inc.                                                                                                                                             |
|      | <ul> <li>Actively invested in MV-204II and MK-60II, a moving-column type milling machining center.</li> </ul>                                                                  |
|      | Moved the plant to Daya District, Taichung City.                                                                                                                               |
| 1006 | • Employees' stock increased to NT\$3,400 thousand, increasing the paid-in capital to                                                                                          |
| 1996 | NT\$46,062.5 thousand.                                                                                                                                                         |
|      | • Launched the development and mass production of horizontal models MV204II and MK60II.                                                                                        |
|      | • The development of the first generation horizontal machining center MK60IIH was completed                                                                                    |
| 1997 | and ready for mass production.                                                                                                                                                 |
|      | Turnover exceeded NT\$500 million.                                                                                                                                             |
| 1999 | • Increased paid-in capital to NT\$62,645 thousand by converting the capital reserve and                                                                                       |
|      | unappropriated earnings.                                                                                                                                                       |
|      | • Over 100 horizontal models were produced and an event was held to celebrate the achievement.                                                                                 |
| 2000 | • Paihsin Investments Co., Ltd. was established with a 99.9% shareholding. Meanwhile, Paihsin                                                                                  |
|      | Investments Co., Ltd. purchased 2,448 thousand shares of the Company's outstanding shares,                                                                                     |
|      | <ul> <li>accounting for 39% of the Company's issued shares.</li> <li>Converted unappropriated earnings to capital and increased paid-in capital to NT\$75,174</li> </ul>       |
|      | thousand.                                                                                                                                                                      |
| 2001 | Turnover exceeded NT\$1.1 billion.                                                                                                                                             |
| 2001 | • Ranked No. 800 on CommonWealth Magazine's Top 1,000 manufacturing industries and No.                                                                                         |
|      | 41 for top operating performance.                                                                                                                                              |
|      | • Launched the development and production of five-axis machining center MK70U.                                                                                                 |
|      | • Converted unappropriated earnings to capital and increased paid-in capital to NT\$90,208.8                                                                                   |
|      | thousand.                                                                                                                                                                      |
| 2002 | • Signed a land lease with the Industrial Development Administration, MOEA for the land of                                                                                     |
|      | <ul> <li>Dajia Youth Industrial Park with a leased area of 12,275 square meters.</li> <li>Awarded the ROC's 11th National Award of Outstanding SMEs.</li> </ul>                |
|      | Launched the development and production of five-axis machining center MK204IIU.                                                                                                |
|      | Converted unappropriated earnings to capital and increased paid-in capital to NT\$93,591.63                                                                                    |
| 2002 | thousand.                                                                                                                                                                      |
| 2003 | • Launched the development and production of five-axis machining center MK603U and vertical                                                                                    |
|      | machining center MV154.                                                                                                                                                        |
| 2004 | OEM production of XP series products for UK's Company B.                                                                                                                       |
|      | • Turnover exceeded NT\$1.66 billion.                                                                                                                                          |
|      | • Launched the development and mass production of the vertical swivel machining center                                                                                         |
| 2005 | MV154APC.                                                                                                                                                                      |
|      | Ranked No. 901 on CommonWealth Magazine's Top 1,000 manufacturing industries.  The contraction of Delice Venetal Industrial Parking Industries.                                |
|      | • The construction of Dajia Youth Industrial Park's plant commenced in October.                                                                                                |

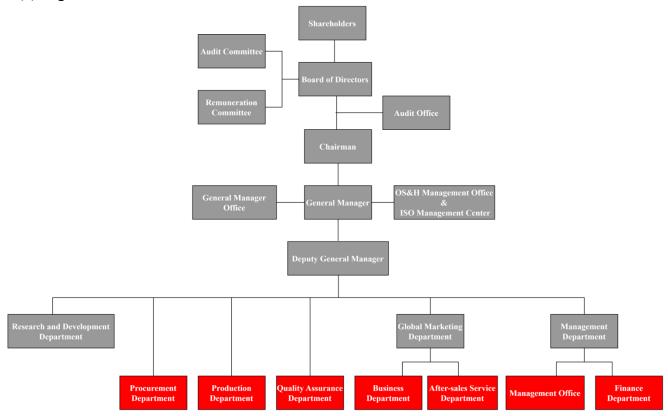
| Year | Milestone                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2006 | <ul> <li>Turnover exceeded NT\$2.126 billion.</li> <li>Ranked No. 801 on CommonWealth Magazine's Top 1,000 manufacturing industries.</li> <li>Launched the development and mass production of gantry five-axis machining center UX600 and massive horizontal machining center HX805.</li> <li>Converted unappropriated earnings to capital and increased paid-in capital to NT\$131,028.21 thousand.</li> </ul>                                                                                                                                                                                                                                                                 |
| 2007 | <ul> <li>The new plant in Dajia Youth Industrial Park was launched.</li> <li>Annual turnover exceeded NT\$3.1 billion; annual production exceeded 1,100 units.</li> <li>Ranked No. 661 on CommonWealth Magazine's Top 1,000 manufacturing industries.</li> <li>Launched the development and mass production of gantry five-axis machining center UX300 and horizontal machining center HX504.</li> <li>Converted unappropriated earnings to capital and increased paid-in capital to NT\$183,439.44 thousand.</li> <li>Merged the subsidiary Paihsin Investments Co., Ltd. and canceled the treasury stock, reducing the paid-in capital to NT\$111,756.14 thousand.</li> </ul> |
| 2009 | <ul> <li>Converted unappropriated earnings to capital and increased paid-in capital to NT\$122,931.77 thousand.</li> <li>Donated five-axis machining center (UX600) to Precision Machinery Research &amp; Development Center (PMC).</li> <li>The Quaser Machine Tools European technical center was officially opened in Switzerland.</li> <li>Launched the development and mass production of horizontal machining centers HX505 and HX635 and multi-face machining center MF400.</li> </ul>                                                                                                                                                                                   |
| 2010 | <ul> <li>Officially entered the U.S. market by collaborating with YMT.</li> <li>Launched the development and mass production of multi-face machining centers MF500 and MF630.</li> <li>Collaborated with Precision Machinery Research &amp; Development Center to develop MK5U, a five-axis machine with moving head.</li> <li>Received a government subsidy of NT\$14,000 thousand for the development of turning and milling machine MT2500, with a development period of 18 months.</li> </ul>                                                                                                                                                                               |
| 2012 | <ul> <li>Development and mass production of VX series products for OEM of Japan Company M.</li> <li>Development and mass production of HSD6 series products for OEM of British Company W.</li> <li>The Mainland China Technical Center of Quaser Machine Tools was officially opened in Kunshan.</li> <li>Converted unappropriated earnings to capital and increased paid-in capital to NT\$172,104.4 thousand.</li> </ul>                                                                                                                                                                                                                                                      |
| 2013 | <ul> <li>Launched the development and mass production of the flexible manufacturing units HX504 CELL and HX505 CELL for horizontal machining centers.</li> <li>Applied to the Industrial Development Administration, MOEA for a lease-to-purchase to acquire land ownership.</li> <li>Purchased a land and plant on Youshi Rd, Dajia Youth Industrial Park for NT\$70,000 thousand.</li> <li>Converted unappropriated earnings to capital and increased paid-in capital to NT\$200,000 thousand.</li> </ul>                                                                                                                                                                     |
| 2014 | <ul> <li>Launched the development and mass production of horizontal machining center HX404 and multi-face+5-axis flexible manufacturing units MF400 CELL and MF500 CELL.</li> <li>Increased capital by cash and converted employee stock warrants to common stock, increasing the paid-in capital to NT\$235,000 thousand.</li> <li>Converted unappropriated earnings to capital and increased paid-in capital to NT\$352,500 thousand.</li> </ul>                                                                                                                                                                                                                              |
| 2015 | • Sold the land and plant of Dajia Youth Industrial Park Youshi Rd for a total price of NT\$100,000 thousand.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Year | Milestone                                                                                                                                                                                                          |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      | • The Company's shares were approved for public offering on April 12, 2016 by TPEx.                                                                                                                                |
|      | Processed emerging stock market registration on May 30th.                                                                                                                                                          |
| 2016 | Established U.S. subsidiary in December.                                                                                                                                                                           |
|      | Development and mass production of the turning and milling machine MT400U.                                                                                                                                         |
|      | • Development and mass production of five-axis swivel machining center UX630APC.                                                                                                                                   |
| 2017 | Development and mass production of MV134.                                                                                                                                                                          |
| 2017 | Cash capital increase of US\$5 million in the U.S. subsidiary.                                                                                                                                                     |
| 2018 | • The Board of Directors of TPEx approved the Company's application for listing in March.                                                                                                                          |
| 2010 | Paid-in capital increased to NT\$399,500 thousand by cash.                                                                                                                                                         |
| 2019 | • Paid-in capital increased to NT\$449,500 thousand by cash.                                                                                                                                                       |
|      | Purchased 100%(shares) of the Winbro Group.                                                                                                                                                                        |
| 2020 | Paid-in capital increased to NT\$549,500 thousand by cash.                                                                                                                                                         |
|      | • Quaser Machine Tools celebrated its 30th anniversary with a series of events related to its 30th                                                                                                                 |
| 2021 | anniversary.                                                                                                                                                                                                       |
| 2021 | • Development and mass production of five-axis precision whole-process 3 arc second HSD951                                                                                                                         |
|      | machine.                                                                                                                                                                                                           |
|      | • The Group upgraded its global brand with "Vision Manufactured" as its core positioning,                                                                                                                          |
|      | revitalized its brand image and communication materials, and laid the foundation for its future                                                                                                                    |
| 2022 | brand development in the global marketplace, upgrading the value of the precision machinery                                                                                                                        |
|      | brand.                                                                                                                                                                                                             |
|      | Developed and mass production of 5 Axis Cell Machine Center MF700.      Developed and mass production of 5 Axis Cell Machine Center MF700.      Developed and mass production of 5 Axis Cell Machine Center MF700. |
|      | • Development and mass production of MF700 Cell, a multi-face, five-axis flexible                                                                                                                                  |
|      | manufacturing unit.                                                                                                                                                                                                |
|      | • Expanded into China market and invested in the establishment of a Mainland China investment company with an investment amount of RMB8,000 thousand and a shareholding ratio of 40%.                              |
|      | <ul> <li>The Company was awarded a total of 3 prizes in the 16th "Taiwan Machine Tool Industry</li> </ul>                                                                                                          |
|      | Awards for Excellence in Research & Innovation.", including the "Smart & Eco-friendly                                                                                                                              |
|      | Machine Tools and Key Components award- Grand Champion Award" and "Component for                                                                                                                                   |
| 2023 | CNC machine tool Other NC Machine Tools- Award of Eminence" for the "UX500 Carbon                                                                                                                                  |
|      | emission calculation module", as well as the "Machining center and manufacturing cell- Award                                                                                                                       |
|      | of Eminence" for the "MF700 5 Axis Cell Machine Center."                                                                                                                                                           |
|      | • Cash capital increase of EUR 3,475 thousand in the German subsidiary.                                                                                                                                            |
|      | • The Company sponsored and participated in the "8th SDGs Academic Paper Awards" co-                                                                                                                               |
|      | organized by the "Taiwan Institute for Sustainable Energy" and the "CTCI Education                                                                                                                                 |
|      | Foundation" and was awarded the "Best Academic Paper for the Corporate Practice Group."                                                                                                                            |
|      |                                                                                                                                                                                                                    |

## III. Corporate Governance

## 1. Organization

## (1) Organization Structure



(2) Responsibilities of Major Departments

| Department                | Responsibilities                                                                                                                                                                         |  |  |  |  |  |  |  |  |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|--|--|--|
| Audit                     | •                                                                                                                                                                                        |  |  |  |  |  |  |  |  |
| Committee                 | 1. Appropriate presentation of the Company's financial statements                                                                                                                        |  |  |  |  |  |  |  |  |
| Committee                 | 2. Selection (Termination) of CPAs and their Independence and Performance                                                                                                                |  |  |  |  |  |  |  |  |
|                           | 3. Effective implementation of the Company's internal controls                                                                                                                           |  |  |  |  |  |  |  |  |
|                           | 4. The Company's compliance with relevant laws and regulations                                                                                                                           |  |  |  |  |  |  |  |  |
|                           | 5. Control of existing or potential risks of the Company                                                                                                                                 |  |  |  |  |  |  |  |  |
| Remuneration<br>Committee | 1. Regularly review the organizational protocols of the Remuneration Committee and propose amendments                                                                                    |  |  |  |  |  |  |  |  |
|                           | 2. To establish and periodically review the Company's policies, systems, standards and structures for annual and long-term performance goals and remuneration of directors and managers. |  |  |  |  |  |  |  |  |
|                           | 3. Regularly evaluates the accomplishment of the Company's performance goals for directors and managers, and determines the content and amount of their individual remuneration          |  |  |  |  |  |  |  |  |
| Audit Office              | 1. The establishment, revision and implementation of the enforcement rules for the Company's and subsidiaries' internal audits.                                                          |  |  |  |  |  |  |  |  |
|                           | 2. To prepare, implement and track the annual audit plan based on risk assessment                                                                                                        |  |  |  |  |  |  |  |  |
|                           | 3. To evaluate and propose improvements to the implementation of the Company's                                                                                                           |  |  |  |  |  |  |  |  |
|                           | established systems, rules and regulations, plans and policies.                                                                                                                          |  |  |  |  |  |  |  |  |
|                           | 4. Report to the Audit Committee on a regular basis regarding the auditing and                                                                                                           |  |  |  |  |  |  |  |  |
|                           | attend the Board of Director's report                                                                                                                                                    |  |  |  |  |  |  |  |  |

| Department   | Responsibilities                                                                                                                                                   |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1            | 5. Tracking of audit anomalies                                                                                                                                     |
|              | 6. Annual self-assessment                                                                                                                                          |
|              | 7. To upload audit information to the Market Observation Post System on a regular                                                                                  |
|              | basis (including statement of internal control, basic information of auditors,                                                                                     |
|              | annual audit plan, improvement of audit deficiencies, etc.)                                                                                                        |
|              | 8. Coordination and resolution of cross-departmental issues                                                                                                        |
|              | 9. Other projects or ad-hoc auditing assignments                                                                                                                   |
| Research and | 1. Selection of products to be developed                                                                                                                           |
| Development  | 2. Improvement of existing products                                                                                                                                |
| Department   | 3. Responsible for overall R&D promotion and supervision as well as coordination with other departments                                                            |
|              | 4. Handling of project development                                                                                                                                 |
|              | 5. Evaluation of technical feasibility, development cost control or revision of R&D policy                                                                         |
|              | 6. Responsible for product design and drawings (external structural drawings, component breakdown drawings, assembly drawings).                                    |
|              | 7. Control of product design changes                                                                                                                               |
|              | 8. Establishment of component lists and fixture drawings                                                                                                           |
|              | ,                                                                                                                                                                  |
|              | 9. Establishment of BOM (Bill of Materials)                                                                                                                        |
|              | 10. Control of distribution of drawings and diagrams, including archiving and management of drawing files.                                                         |
|              | 11. Management and review of the dimensions, tolerances, markings, numbering, and drawings of various related drawings.                                            |
| Production   | Production and sales coordination                                                                                                                                  |
| Department   | 2. The handling, tracking and control of in-process products                                                                                                       |
| Bepartment   | 3. Production performance analysis and anomaly tracking improvement                                                                                                |
|              | 4. Management of manufacturing and plant affairs                                                                                                                   |
|              | 5. Product manufacturing and online self-inspection                                                                                                                |
|              | 6. Supervision and management of the production lines                                                                                                              |
|              | 7. The cleaning and maintenance of the on-site environment, as well as organizing and tidying up                                                                   |
|              | 8. Production scheduling and control                                                                                                                               |
|              | 9. Handling of process anomalies                                                                                                                                   |
|              | <ul><li>10. Delivery and shipment, packaging, crating, product loading and transportation</li><li>11. Basic truck maintenance and dispatching operations</li></ul> |
|              | 12. Shipment of products and transportation of components within the plant                                                                                         |
|              | 13. Production and sales coordination                                                                                                                              |
|              | 14. To schedule and control the production process in accordance with the                                                                                          |
|              | customers' orders or plans                                                                                                                                         |
|              | 15. Establishment and amendment of production plans                                                                                                                |
| Procurement  | 1. To establish the information of qualified suppliers and prices, and be                                                                                          |
| Department   | responsible for the inquiry, comparison, negotiation and procurement of raw                                                                                        |
|              | materials, materials, components and other requisitions required by the                                                                                            |
|              | Company 2. Progress control of supplier delivery and follow-up of overdue deliveries                                                                               |
|              | 3. The handling of quality and quantity issues of incoming materials and payment                                                                                   |
|              | verification                                                                                                                                                       |
|              | 4. Statistics and estimation of materials to be used for production and setting of                                                                                 |
|              | inventory standards                                                                                                                                                |
|              | 5. Outsourcing control                                                                                                                                             |
|              | 6. Outsourced process defective products handling                                                                                                                  |

| Department         | Responsibilities                                                                                                                                  |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
|                    | 7. To supply components and finished products required by the assembly                                                                            |
|                    | department                                                                                                                                        |
|                    | 8. Inventory control, including receipt and return of finished products,                                                                          |
|                    | components and raw materials, and delivery and return of inventories                                                                              |
|                    | 9. Inventory checkings                                                                                                                            |
|                    | 10. Inventory planning and organizing                                                                                                             |
| Quality            | Establishment of quality inspection standards                                                                                                     |
| Assurance          | 2. Quality control and inspection during manufacturing process                                                                                    |
| Department         | 3. Inspections and testings of raw materials and finished products                                                                                |
| •                  | 4. Management, calibration and maintenance of inspection instruments                                                                              |
| Business           | 1. Customers' quotations                                                                                                                          |
| Department         | 2. Receipt and tracking of customer orders                                                                                                        |
| •                  | 3. Provision of information on supply and demand in domestic and overseas markets                                                                 |
|                    | 4. Development and marketing of domestic and overseas markets                                                                                     |
|                    | 5. Delivery of orders and shipment instructions                                                                                                   |
|                    | 6. Product price management                                                                                                                       |
|                    | 7. Customer Relationship Management                                                                                                               |
|                    |                                                                                                                                                   |
|                    | proposal on improvement strategy of existing products of the Company)                                                                             |
|                    | 9. Order specification review                                                                                                                     |
|                    | 10. User technical support (project management, production capacity calculation, product application problem solving)                             |
|                    | 11. Sales support (pre-sales samples, machine instruction)                                                                                        |
| After-sales        | 1. Handling of domestic and foreign customers' complaints, as well as corrective                                                                  |
| Service            | and preventive measures                                                                                                                           |
| Department         | 2. Sales of components                                                                                                                            |
|                    | 3. Repair service under warranty                                                                                                                  |
| Management         | 1. Handling of general official documents, papers, and letters                                                                                    |
| Department         | 2. Management of the access of personnel, goods, vehicles, etc. in the plant and                                                                  |
|                    | maintenance of plant safety and environmental hygiene                                                                                             |
|                    | 3. Establishment of basic information and attendance data of personnel                                                                            |
|                    | 4. To cooperate during appraisals                                                                                                                 |
|                    | 5. Recruitment and interviewing                                                                                                                   |
|                    | 6. Implementation of labor and health insurances                                                                                                  |
|                    | 7. Resource management, planning and implementation of education and training                                                                     |
|                    | 8. To schedule, revise, implement and evaluate the results of annual education and                                                                |
|                    | training programs                                                                                                                                 |
|                    | 9. Responsible for the maintenance, repair and troubleshooting of computer                                                                        |
|                    | system software and hardware                                                                                                                      |
|                    | 10. Planning and implementation of the Company's MIS "Tienpao Information                                                                         |
| Einenee            | Management System."                                                                                                                               |
| Finance Department | <ol> <li>Responsible for the Company's accounts</li> <li>Preparation of final costs, compilation of production costs and collection of</li> </ol> |
| Department         | trial-production costs                                                                                                                            |
|                    | 3. Planning and implementation of bookkeeping and budgeting                                                                                       |
|                    | 4. Tax planning and implementation                                                                                                                |
|                    | 5. Responsible for the Company's finance income and expenses, as well as the                                                                      |
|                    | allocation of funds                                                                                                                               |
|                    | 6. Funding and allocation, as well as financial policy planning and                                                                               |
|                    | implementation                                                                                                                                    |
|                    | 7. Implementation of stock affairs                                                                                                                |

## 2. Directors, General Manager, Deputy General Manager, Assistant Managers, Department and Branch Supervisors Information

## (1) Directors

1. Directors' Information

April 02, 2024; Unit: Number of Shares; %

|                     |                      |                                                                          |                 | _                  | _       |                  |                     |        |                     |       |                |        |                       |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | April 02, 2024, Ollic. 14u                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                     |                              |                                  |          |
|---------------------|----------------------|--------------------------------------------------------------------------|-----------------|--------------------|---------|------------------|---------------------|--------|---------------------|-------|----------------|--------|-----------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|------------------------------|----------------------------------|----------|
|                     |                      |                                                                          |                 |                    |         | Date             | Shareholdin         | g when | Currer              | nt    | Spouse and Min |        | nd Minor Shareholding |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Executives, Directors or Supervisor                 |                              |                                  |          |
| Title National Name |                      | Name                                                                     | Gender          | Date               | Term    | First            | Electe              |        | Sharehole           |       | Shareholding   |        | lding by Nominee      |        | Experience (Education)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Other Position(s)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | who are Spouses or within Two<br>Degrees of Kinship |                              |                                  | Remarks  |
|                     | ity                  |                                                                          | Age             | Elected            | (years) | Elected          |                     |        | G1                  | 0/    | a1             | 0/     | Arrang                |        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (-)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                     | ř                            |                                  |          |
| Chairma<br>n        | Republic<br>of China | Shieh, Raui-Mu                                                           | Male 71~80      | August<br>27, 2021 | 3       | May 07,<br>1991  | Shares<br>5,648,310 | 10.28  | Shares<br>5,459,810 | 9.94  | Shares         | %<br>— | Shares<br>—           | %<br>_ | Power Mechanical Engineering Group, The Affiliated Industrial Vocational High School of NCUE Deputy General Manager of Leadwell Cnc Machines Mfg., Corp. Vice Chairman of the Taiwan Machine Tool & Accessory Builders' Association Executive Director of the Precision Machinery Development                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Chairman of the Taiwan Machine Tool Industry M-<br>TEAM<br>Person-in-charge of Quaser Europe Technical Center<br>Gmbh                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Title (Note 1)                                      | Name<br>Hsieh, Tien-<br>Hsin | Relation First Degree of Kinship | (Note 2) |
|                     |                      |                                                                          |                 |                    |         |                  |                     |        |                     |       |                |        |                       |        | Association                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                     |                              |                                  |          |
|                     | Republic<br>of China | Xude Investment<br>Co., Ltd.                                             | _               | August 27, 2021    | 3       | June 09,<br>2015 | 5,107,118           | 9.29   | 5,107,118           | 9.29  | -              | _      | -                     | -      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Nil                                                 | Nil                          | Nil                              |          |
| Director            | Republic<br>of China | Xude Investment<br>Co.,<br>Ltd.Representative<br>: Hsia, Ching-<br>Hsuan | Female<br>41~50 | August<br>27, 2021 | 3       | June 09,<br>2015 | 647,062             | 1.84   | 619,062             | 1.13  | 122,019        | 0.22   | _                     | -      | Department of Corporate Management, National Taichung University of Science and Technology Business Manager of Quaser Machine Tools, INC.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Director of Xude Investment Co., Ltd.<br>Person-in-charge of IT'S LIFE Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Nil                                                 | Nil                          | Nil                              |          |
|                     | Republic<br>of China | National Development Fund, Executive Yuan                                | ı               | August<br>27, 2021 | 3       | June 19,<br>2020 | 1,625,000           | 2.96   | 1,625,000           | 2.96  | -              | _      | _                     | -      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Nil                                                 | Nil                          | Nil                              |          |
| Director            | Republic<br>of China | Representative:<br>Lai, Yung-Hsiang                                      | Male 51~60      | August<br>27, 2021 | 3       | June 19,<br>2020 | -                   | ı      | _                   | _     | -              |        | _                     | _      | Department of Mechanical Engineering, NCHU Master of Mechanical Engineering, CCU German RWTH Aachen University, Academic Exchange General Manager, Deputy General Manager of the Precision Machinery Research Development Center R&D Enginner of Leadwell Cnc Machines Mfg., Corp. Executive Director of the Precision Machinery Development Association of R.O.C Director of the Chinese Testing and Certification Association Supervisor of the Chinese Association for Industrial Technology Advancement Consultant of the Taiwan Machine Tool & Accessory Builders' Association Consultant of the Taiwan Association of Machinery Industry Executive Director of the Taiwan Automation Intelligence and Robotics Association Executive Director of the Academia-Industry Consortium for Science Parks in Central Taiwan Director of the Taiwan Cuting-Tool Engineering Association | CEO of the Metal Industries Research & Development<br>Centre<br>Head of Smart machinery                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Nil                                                 | Nil                          | Nil                              |          |
|                     | Republic<br>of China | Yeh-Chiang<br>Technology Corp.                                           | _               | August 27, 2021    | 3       | August 27, 2021  | 5,433,500           | 9.98   | 12,433,500          | 22.63 | _              | _      | -                     | -      | _                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Nil                                                 | Nil                          | Nil                              |          |
| Director            |                      | Yeh-Chiang<br>Technology                                                 | Male<br>71~80   | August 27, 2021    | 3       | August 27, 2021  | _                   |        | -                   | _     | _              |        | _                     | _      | Chenggong High School                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Chairman of Yeh-Chiang Technology Corp. Corporate Representative of Zhongshan Xuguang Machinery Technology Co., Ltd. Corporate Director Representative of Zhongshan Weiqiang Technology Co., Ltd. Corporate Director Representative of Zhuhai-Macao Cross-Border Industrial Zone Zhongshan Weiqiang Technology Co., Ltd. Corporate Director Representative of Ye County Zhongshan Weiqiang Technology Co., Ltd. Corporate Director Representative of Wesa Yeh Chiang Technology Corporate Director Representative of Wesa Yeh Chiang Technology Corporate Director Representative of Wei Hsu Co., Ltd. Corporate Supervisor Representative of Wei Hsu Co., Ltd. Corporate Topic of Properson Corporative Order Order Program Ltd. Chairman of Tong Wei Investing Corp. Comporate Supervisor Representative of Supercap Industrial Co., Ltd. Corporate Director Representative of Taiwan- N Lighting Corporation Ltd. Corporate Director Representative of So Bright Electronics Co., LTD. | Director                                            | Chen,<br>Chun-Ya             | Second<br>Degree of<br>Kinship   |          |

| Title National ity Name     | Name                 | Gender<br>Age          | Date<br>Elected | Term               | First   | Shareholdi<br>Elect |        | Curre<br>Sharehol |        | Spouse and<br>Shareho |        | by No | nolding<br>minee<br>gement | Experience (Education) | Other Position(s)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | who are                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Supervisors<br>ithin Two<br>ship | Remarks             |                                |   |
|-----------------------------|----------------------|------------------------|-----------------|--------------------|---------|---------------------|--------|-------------------|--------|-----------------------|--------|-------|----------------------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------|--------------------------------|---|
|                             | ity                  |                        | Age             | Liceted            | (years) | Elected             | Shares | %                 | Shares | %                     | Shares | %     | Shares                     | _                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Title                            | Name                | Relation                       | 1 |
|                             |                      |                        |                 |                    |         |                     |        |                   |        |                       |        |       |                            |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Corporate Director Representative of Yuh Cheng<br>Materials Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                  |                     |                                |   |
| Director                    | Republic<br>of China | Chen, Chun-Ya          | Male 61~70      | August<br>04, 2022 | 3       | August<br>04, 2022  | -      | _                 | _      | _                     | _      | _     | _                          | _                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Corporate Director Representative of Yeh-Chian<br>Technology Corp.<br>World Financial Group EVC, U.S.A<br>Honorary Chairman of Global Monte Jade Science &<br>Technology                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Director                         | Wang, Tai-<br>Kuang | Second<br>Degree of<br>Kinship |   |
| Independ<br>ent<br>Director | Republic<br>of China | Huang, Hsiang-<br>Ying | Male<br>61~70   | August<br>27, 2021 |         | August 02, 2016     | _      | _                 | _      | _                     | _      | _     | _                          | _                      | PhD in Economics, Central University of Finance and Economics Master of Accounting Graduate School, NCCU CPA of the R.O.C Section Manager of Finance Division, Administration Department of The Far Eastern Group Lecturer at Ling Tung University, Tung Hai University and Chaoyang University of Technology Team Leader and Manager of EnWise CPAs and Co. Partnered Accountant of BDO Taiwan Tax Consultant of the Taichung Real Estate Development Association Director of Taichung City ATS Director of the Taichung CPA Association Independent Director of Sino-American Silicon Products Inc. Independent Director and Member of the Audit Committee of Chaoyang | Partnered Accountant of EnWise CPAs and Co. Member of the Remuneration Committee of Lelon Electronics Corp. Member of the Remuneration Committee of Liton Technology Corp. Independent Director of Taiwan Hon Chuan Enterprise Co., Ltd. Member of the Remuneration Committee of Taiwan Hon Chuan Enterprise Co., Ltd. Member of the Audit Committee Taiwan Hon Chuan Enterprise Co., Ltd. Independent Director of We Technology Corp. Member of the Audit Committee of Wfe Technology Corp. Member of the Remuneration Committee of Wfe Technology Corp. Member of the Audit Committee Wfe Technology Corp. Independent Director of InterServ International Inc. Member of the Remuneration Committee of InterServ International Inc. Member of the Remuneration Committee of InterServ International Inc. Member of the Audit Committee InterServ International Inc. Supervisor of Unique Materials Co., Ltd. | Nil                              | Nil                 | Nil                            |   |
| Independ<br>ent<br>Director | Republic<br>of China | Yang, Teng-Yu          | Male<br>61~70   | August<br>27, 2021 | 3       | August 02, 2016     | _      | _                 | _      | _                     | -      | _     | _                          | _                      | Master of Mechanical Engineering Graduate School, CCU Part-time Lecturer at NCUT Consultant of Shiin Shern Co., Ltd. Executive Assistant to Deputy General Manager/Chairman of Kent Industrial Co., Ltd. Section Manager/Plant Manager/ Deputy General Manager of Leadwell Cne Machines Mfg., Corp.                                                                                                                                                                                                                                                                                                                                                                      | Deputy General Manager of Shiin Shern Co., Ltd.<br>Part-time Lecturer of National Formosa University                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Nil                              | Nil                 | Nil                            |   |
| Independ<br>ent<br>Director | Republic<br>of China | Chen, Hsin-Liang       | Male<br>71~80   | August 27, 2021    |         | May 16,<br>2018     | -      | -                 | -      | _                     | -      | _     | _                          | _                      | Passed the Bar Examination<br>Prosecutor of Hsinchu, Taoyuan, Taipei District Court Prosecutors<br>Offices<br>Judge of Taoyuan, Shihlin District Courts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Attorney-at-law of Chen, Hsin-Liang Law Firm                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Nil                              | Nil                 | Nil                            |   |
| Independ<br>ent<br>Director | Republic<br>of China | Lin, Chang-Chih        | Male<br>41~50   | August<br>27, 2021 | 3       | August 27, 2021     | _      | _                 | _      | _                     | _      | _     | _                          | _                      | One Korea Invention Patent (Machine-related) Product Development Consultant of SHARS TOOL COMPANY,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Deputy General Manager of Auto Well Enterprise Co.<br>Ltd.<br>Product Development & Sales Consultant of A.W.T<br>COMPANY, Korea                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | ,<br>Nil                         | Nil                 | Nil                            |   |

Note 1: The General Manager of Quaser Machine Tools, Inc. is also the person-in-charge of Quaser Europe Technical Center AG, which is 100% invested by the Company, along with Quaser America Machine Tools, Inc., Winbro Group UK Limited, Winbro Group Technologies Limited and Winbro Group Technologies LLC.

Note 2: The Chairman of the Company, Mr. Shieh, Raui-Mu, and the General Manager, Mr. Hsieh, Tien-Hsin, are first degree relatives. Mr. Hsieh, Tien-Hsin, in addition to his many years of working experience in the Quaser Group, was also involved in the technical department and the execution of overseas business, and is familiar with the operation of the Company. Therefore, the Board of Directors has approved his appointment to the position of General Manager.

However, in order to implement corporate governance, the Company has increased the number of independent directors in excess of the statutory requirement and nominated more than half of the directors who are not concurrently employees or managers, etc., so as to enhance the functions of the Board of

Directors and strengthen the supervisory function.

## 2. Major shareholder names and shareholding of institutional shareholders

April 02, 2024

| Name of Institutional Shareholder            | Major shareholders of institutional shareholders |        |
|----------------------------------------------|--------------------------------------------------|--------|
|                                              | Cheng, Shih                                      | 52.92% |
| Xude Investment Co., Ltd.                    | Hsia, Ching-Hsuan                                | 21.18% |
|                                              | Hsia, Liang-Chun                                 | 25.90% |
| National Development<br>Fund, Executive Yuan | Nil                                              |        |
|                                              | Rayman Inc. Samoa                                |        |
|                                              | Feng Lei Investing Co., Ltd.                     | 10.49% |
|                                              | Taipei Fubon Commercial Bank entrusted investing | 10.36% |
|                                              | account (Rayman Inc. Samoa)                      | 10.04% |
|                                              | Advance Program Ltd.                             | 9.84%  |
| Yeh-Chiang Technology                        | Supercap Industrial Co., Ltd.                    | 9.35%  |
| Corp.                                        | Taipei Fubon Commercial Bank entrusted investing | 8.87%  |
|                                              | account (Kao-Wei Investing Inc.)                 | 8.59%  |
|                                              | Bellevuecity Construction Co., Ltd.              | 8.37%  |
|                                              | Weichiang Ltd. Samoa                             | 6.65%  |
|                                              | Investment Account of Wei Dan Co. Ltd.           | 4.76%  |
|                                              | Investment Account of Summer Horizon Co. Ltd.    |        |

3.Major shareholder names and shareholding of institutional shareholders who are the major shareholders of the institutional shareholders of the Company

April 02, 2024

| Name of Institutional Shareholder              | Major shareholders of institutional                         | shareholders                      |
|------------------------------------------------|-------------------------------------------------------------|-----------------------------------|
| Rayman Inc. Samoa                              | Bestrime Inc.                                               | 100%                              |
| Feng Lei Investing Co. Ltd.                    | Xinli Trading Co., Ltd.                                     | 100%                              |
| Advance Program Ltd.                           | Holdings Limited<br>Tseng, Hui                              | 99.91%<br>0.09%                   |
| Supercap Industrial Co., Ltd.                  | Holdings Limited Tseng, Wan-Chung Tseng, Hui Tseng, Wan-Jie | 99.50%<br>0.08%<br>0.08%<br>0.08% |
| Bellevuecity Construction Co., Ltd.            | City International Ltd.                                     | 100%                              |
| Weichiang Ltd. Samoa                           | Bestrime Inc.                                               | 100%                              |
| Investment Account of Wei Dan Co., Ltd.        | Tseng, Wan-Chung                                            | 100%                              |
| Investment Account of Summer Horizon Co., Ltd. | Tseng, Wan-Chung                                            | 100%                              |

## 4.Information Disclosure of Director Professional Qualifications and the Independence of Independent Directors

April 11, 2024

|                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | April 11, 2024                                                                                                                   |
|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Criteria<br>Name                                                           | Professional Qualifications and<br>Experience (Note 1)                                                                                                                                                                                                                                                                                                                                                                                                                                          | Independence Criteria (Note 2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Number of Other<br>Public Companies<br>in Which the<br>Individual is<br>Concurrently<br>Serving as an<br>Independent<br>Director |
| Shieh, Raui-Mu                                                             | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>Current Chairman of the Company, person-in-charged of Quaser Europe Technical Center Gmbh</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul>                                                                                                                                                                    | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | _                                                                                                                                |
| Xude Investment<br>Co., Ltd.<br>Representative:<br>Hsia, Ching-Hsuan       | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul>                                                                                                                                                                                                                                                                       | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | _                                                                                                                                |
| National Development Fund, Executive Yuan Representative: Lai, Yung-Hsiang | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul>                                                                                                                                                                                                                                                                       | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | _                                                                                                                                |
| Yeh-Chiang<br>Technology Corp.<br>Representative:<br>Wang, Tai-Kuang       | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>Currently Chairman of Yeh-Chiang Technology Corp.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul>                                                                                                                                                                                                            | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | _                                                                                                                                |
| Chen, Chun-Ya                                                              | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul>                                                                                                                                                                                                                                                                       | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | _                                                                                                                                |
| Huang, Hsiang-Ying                                                         | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul> | <ul> <li>An Independent Director of the Company, who meets the criteria for independence.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.</li> <li>He/she is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.</li> <li>No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years.</li> </ul> | 3                                                                                                                                |

| Criteria<br>Name | Professional Qualifications and<br>Experience (Note 1)                                                                                                                                                                                                                                                                                                                                                                                                                                          | Independence Criteria (Note 2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Yang, Teng-Yu    | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul>                                                                                                                                                                                                                                                                       | <ul> <li>An Independent Director of the Company, who meets the criteria for independence.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.</li> <li>He/she is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.</li> <li>No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years.</li> </ul> |                                                                                                             |
| Chen, Hsin-Liang | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul> | <ul> <li>An Independent Director of the Company, who meets the criteria for independence.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.</li> <li>He/she is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.</li> <li>No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years.</li> </ul> | _                                                                                                           |
| Lin, Chang-Chih  | <ul> <li>Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.</li> <li>No violation to the subparagraphs of Article 30 of the Company Act.</li> </ul>                                                                                                                                                                                                                                                                       | <ul> <li>An Independent Director of the Company, who meets the criteria for independence.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.</li> <li>The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.</li> <li>He/she is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.</li> <li>No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years.</li> </ul> | _                                                                                                           |

Note 1: Professional qualifications and experience: Describe the professional qualifications and experience of individual Directors and Supervisors.

If they are members of the Audit Committee with accounting or financial expertise, their accounting or financial backgrounds and work experience should be described, and it should also be stated whether or not they have not been subject to any of the circumstance set forth in Article 30 of the Companies Act.

Note 2: Independent Directors shall describe the circumstances under which they meet the independence requirements, including but not limited to whether they, their spouses, relatives within the second degree of kinship, etc., are directors, supervisors or employees of the Company or its affiliates; the number and proportion of shares of the Company held by themselves, their spouses, relatives within the second degree of kinship, etc., or those under nominee arrangements; whether they are directors, supervisors or employees of a company that has a specific relationship with the Company (refer to Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received during the last two years for services rendered to the Company or its affiliates in business, legal, financial, accounting and other areas.

#### 5. The Professionalism, Diversification and Independence of the Board of Directors

## (1) The Professionalism of the Board of Directors:

The Company adopts the candidate nomination system in accordance with the Company's Articles of Incorporation to evaluate each candidate's academic qualifications, professional background, integrity or relevant professional qualifications, etc., and submits them to the shareholders' meeting for election upon the resolution of the Board of Directors. Pursuant to Article 20, Paragraph 4 of the "Corporate Governance Best Practice Principle" of the Company, members of the Board of Directors shall generally possess the knowledge, skills and qualifications necessary in performing their duties. In order to achieve the Company's desired corporate governance goals, the Board of Directors as a whole shall be equipped with the following capabilities:

- A. Business judgment
- B. Accounting and financial analysis
- C. Business management
- D. Crisis management
- E. Industrial knowledge
- F. Global market perception
- G. Leadership
- H. Decision-making

### (2) The Diversification of the Board of Directors:

As part of the Company's policy to diversify its Board of Directors, strengthen corporate governance, and promote the development of a sound composition and structure of the Board, the diversity policy under Article 20, Paragraph 3 of the Company's "Corporate Governance Best Practice Principle" indicates that the Company's diversification goal is to have at least one female Board member and no more than one-third of the members are employees of the Company.

Currently, there are nine Board members, and the implementation of diversity among all Board members is as follows:

- The percentage of female directors is 11% while the percentage of male directors is 89%.
- Among the directors, three are aged 71 or above, three are aged 61 to 70, one is aged 51 to 60, and two are aged below 50.

• The core items of diversity for each director are as follows:

|                      | e Items of Diversity   |                   | Basic Con |       |                            |                         |                            | Experien                          |                             | P                | rofession     | nal Abili             | ity                | Terms                 | of Office |
|----------------------|------------------------|-------------------|-----------|-------|----------------------------|-------------------------|----------------------------|-----------------------------------|-----------------------------|------------------|---------------|-----------------------|--------------------|-----------------------|-----------|
| Name of Director     |                        | Nationality       | Gender    | Age   | Employee Of the<br>Company | Business<br>Development | Management<br>Capabilities | Leadership and<br>Decision-making | Global Market<br>Perception | Business Affairs | Legal Affairs | Finance<br>Accounting | Risk<br>Management | Lesserthan 3<br>Years | 3~9 Years |
| Director             | Shieh, Raui-Mu         | Republic of China | Male      | 71~80 | Chairman of the<br>Company | V                       | V                          | V                                 | V                           | V                |               |                       | V                  |                       |           |
| Director             | Hsia, Ching-<br>Hsuan  | Republic of China | Female    | 41~50 | Nil                        | V                       | V                          | V                                 | V                           | V                |               |                       | V                  |                       |           |
| Director             | Lai, Yung-Hsiang       | Republic of China | Male      | 51~60 | Nil                        | V                       | V                          | v                                 | V                           | V                |               |                       | V                  |                       |           |
| Director             | Wang, Tai-<br>Kuang    | Republic of China | Male      | 71~80 | Nil                        | V                       | V                          | V                                 | V                           | V                |               |                       | V                  |                       |           |
| Director             | Chen, Chun-Ya          | Republic of China | Male      | 61~70 | Nil                        | V                       | V                          | V                                 | V                           | V                |               |                       | V                  |                       |           |
| Independent Director | Huang, Hsiang-<br>Ying | Republic of China | Male      | 61~70 | Nil                        | V                       | V                          | V                                 | V                           | V                |               | V                     | V                  |                       | V         |
| Independent Director | Yang, Teng-Yu          | Republic of China | Male      | 61~70 | Nil                        | V                       | V                          | V                                 | V                           | V                |               |                       | V                  |                       | V         |
| Independent Director | Chen, Hsin-Liang       | Republic of China | Male      | 71~80 | Nil                        | V                       | V                          | V                                 | V                           | V                | V             |                       | V                  |                       | V         |
| Independent Director | Lin, Chang-Chih        | Republic of China | Male      | 41~50 | Nil                        | V                       | V                          | V                                 | V                           | V                |               |                       | V                  | V                     |           |

## (3) Board Independence:

The current Board of Directors of the Company consists of nine Directors, including four Independent Directors, accounting for 44% of the total number of Directors. the four Independent Directors are in compliance with the regulations of the Securities and Futures Bureau, Financial Supervisory Commission regarding Independent Directors, and there are no violations of Article 26-3, Paragraphs 3 and 4, of the Securities and Exchange Act among the Directors and the Independent Directors.

# (2) Information on General Manager, Deputy General Manager, Assistant Managers, and Supervisors of Departments and Branches April 02, 2024; Unit: Number of Shares; %

| Title                                                                         | Nationality          | Name                         | Gender | Date<br>Elected     | Sharehold        |      | Spouse and<br>Shareho | lding | Shareh<br>by No<br>Arrang | minee<br>gement | Experience (Education)                                                                                                                                                                                                                                                                                                                                               | Other Position(s)                                                                                                                                                                                                                                                                                                                 | Spou<br>Deg | grees of | thin Two<br>Kinship | Remarks  |
|-------------------------------------------------------------------------------|----------------------|------------------------------|--------|---------------------|------------------|------|-----------------------|-------|---------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------|---------------------|----------|
| General Manager                                                               | Republic<br>of China | Hsieh, Tien-<br>Hsin         | Male   | June 01,<br>2019    | Shares 1,433,514 | 2.61 | Shares                | _ %   | Shares                    | -               | Master of EMBA, Tunghai University<br>Business Manager of Paili Machinery Co., Ltd.<br>Product Planning Manager of Hwa Lhing<br>Industrial Co., Ltd.<br>Technical Department Assistant Manager of<br>Quaser Machine Tools, INC.                                                                                                                                      | Person-in-charge of Quaser Europe Technical Center AG, Quaser America Machine Tools, Inc., Winbro Group UK Limited, Winbro Group Technologies Limited and Winbro Group Technologies LLC Director of the Taiwan Machine Tool & Accessory Builders' Association General Manager of Zhongshan Xuguang Machinery Technology Co., Ltd. | Nil         | Nil      | Relation<br>Nil     | (Note 2) |
| Deputy General<br>Manager                                                     | Republic<br>of China | Chuang,<br>Yung-<br>Huang    | Male   | July 01,<br>2020    | 2,286            | 0.00 | _                     | _     | _                         | -               | Executive Master Program of Business<br>Administration, Providence University<br>Technical Department Assistant Manager of<br>Quaser Machine Tools, INC.<br>Production Department Assistant Manager of<br>Quaser Machine Tools, INC.<br>Materials Department Assistant Manager of<br>Quaser Machine Tools, INC.<br>Chairman of Kunshan Quaser Machine Tools,<br>Inc. | Nil                                                                                                                                                                                                                                                                                                                               | Nil         | Nil      | Nil                 |          |
| Deputy General<br>Manager                                                     | Republic of China    | Huang,<br>Kuo-Chin           | Male   | January<br>03, 2022 | _                | _    | _                     | Ι     | _                         | _               | Part-time Student of Senior Management,<br>NCKU<br>General Manager of Quick-tech Machinery<br>Co., Ltd.                                                                                                                                                                                                                                                              | Chairman of Kunshan Quaser<br>Machine Tools, Inc.                                                                                                                                                                                                                                                                                 | Nil         | Nil      | Nil                 |          |
| Assistant Manager<br>of Management<br>Department,<br>Accounting<br>Supervisor | Republic<br>of China | Lin, Yu-<br>Hsin<br>(Note 3) | Female | October 01, 2021    | 28,000           | 0.05 | _                     | l     | _                         | -               | Department of Economics, NTHU Audit Department Manager of PricewaterhouseCoopers Taiwan Accounting Supervisor of Quaser Machine Tools, INC. Management Department Manager of Quaser Machine Tools, INC. Winbro Group Technologies Limited Finance Director                                                                                                           | Winbro Group Technologies<br>Limited Chief Financial<br>Officer                                                                                                                                                                                                                                                                   | Nil         | Nil      | Nil                 | (Note 3) |

| Title                                                                    | Nationality          | Name                           | Gender | Date<br>Elected     | Sharehold | ling | Spouse and<br>Shareho |      | Shareh<br>by Nor<br>Arrang | minee | Experience (Education)                                                                                                                                                                                   | Other Position(s) | Spou<br>De | Remarks |          |          |
|--------------------------------------------------------------------------|----------------------|--------------------------------|--------|---------------------|-----------|------|-----------------------|------|----------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------|---------|----------|----------|
|                                                                          |                      |                                |        |                     | Shares    | %    | Shares                | %    | Shares                     | %     |                                                                                                                                                                                                          |                   | Title      | Name    | Relation |          |
| Accounting<br>Supervisor                                                 | Republic<br>of China | Kao, Yu-<br>Chun<br>(Note 4)   | Female | October 01, 2021    | 14,000    | 0.03 | -                     | _    | -                          | _     | Department of Accounting, NCUE Audit Department Deputy Manager of PricewaterhouseCoopers Taiwan Finance Department Accounting Section Deputy Manager of Quaser Machine Tools, INC.                       | Nil               | Nil        | Nil     | Nil      | (Note 4) |
| Audit Supervisor                                                         | Republic<br>of China | Chan, Hui-<br>Yen              | Female | November 03, 2022   | -         | l    | _                     | _    | -                          |       | Department of Accounting, NCUE Audit Department Deputy Manager of PricewaterhouseCoopers Taiwan Finance Manager of Quaser Machine Tools, INC.                                                            | Nil               | Nil        | Nil     | Nil      |          |
| Assistant Manager<br>of R&D<br>Department                                | Republic<br>of China | Hung,<br>Ming-Hung             | Male   | April 01,<br>2020   | 6,000     | 0.01 | _                     | _    | -                          |       | Precision Mechanical Design, NCUT Graduate<br>School<br>Design Section Manager of Quaser Machine<br>Tools, INC.<br>R&D Manager of Quaser Machine Tools, INC.                                             | Nil               | Nil        | Nil     | Nil      |          |
| Assistant Manager<br>of Business<br>Department                           | Republic<br>of China | Chen, Yun-<br>Jen<br>(Note 5)  | Male   | January<br>09, 2023 | -         | l    | _                     |      | _                          | _     | Department of Foreign Languages, Tung Hai<br>University<br>Business Manager of Falcon Machine Tools<br>Co., Ltd.                                                                                         | Nil               | Nil        | Nil     | Nil      | (Note 5) |
| (Investment)<br>Kunshan Quaser<br>Machine Tools, Inc.<br>General Manager | Republic<br>of China | Yang,<br>Cheng-Kai<br>(Note 6) | Male   | March 21, 2019      | -         | _    | 1,000                 | 0.00 | _                          | _     | Department of Mechanical Engineering, Chienkuo Technology University of Mechanical Engineering Design Section Manager of Quaser Machine Tools, INC. Business Office Member of Quaser Machine Tools, INC. | Nil               | Nil        | Nil     | Nil      | (Note 6) |

Note 1: Those who are not at the Assistant Manager level or above, or Supervisors/Unit Supervisors who are not appointed by the Board of Directors in accordance with the law, or those whose positions are concurrently held by officers not at the Assistant Manager level or above, are not disclosed.

Note 2: The Chairman of the Company, Mr. Shieh, Raui-Mu, and the General Manager, Mr. Hsieh, Tien-Hsin, are first degree relatives. Mr. Hsieh, Tien-Hsin, in addition to his many years of working experience in the Quaser Group, was also involved in the technical department and the execution of overseas business, and is familiar with the operation of the Company. Therefore, the Board of Directors has approved his appointment to the position of General Manager.

However, in order to implement corporate governance, the Company has increased the number of independent directors in excess of the statutory requirement and nominated more than half of the directors who are not concurrently employees or managers, etc., so as to enhance the functions of the Board of Directors and strengthen the supervisory function.

Note 3: Appointed by the Board of Directors on November 02, 2023 as the Accounting Supervisor.

Note 4: Resigned on August 31, 2023.

Note 5: Resigned on April 11, 2023.

Note 6: Termination of the General Manager of Kunshan Quaser Machine Tools, Inc. on March 16, 2023 as a result of internal duties adjustment.

## 3. Recent Remuneration to Directors, Supervisors, General Manager and Deputy General Manager

## (1) Remuneration of Directors and Independent Directors

Unit: NT\$ thousand; %

|                         |                                                                                     |                  |                                            |                        | Director R                                      | emuneratio                               | n                                               |                                    |                                                 | The Sum              | of A, B, C,                                | Remuneration from Other Positions |                                            |           |                                                 |                           |       |               |                                            | The Sum of     |                                         |                                                     |
|-------------------------|-------------------------------------------------------------------------------------|------------------|--------------------------------------------|------------------------|-------------------------------------------------|------------------------------------------|-------------------------------------------------|------------------------------------|-------------------------------------------------|----------------------|--------------------------------------------|-----------------------------------|--------------------------------------------|-----------|-------------------------------------------------|---------------------------|-------|---------------|--------------------------------------------|----------------|-----------------------------------------|-----------------------------------------------------|
|                         |                                                                                     | Remuneration (A) |                                            | Retirement Pension (B) |                                                 | Director<br>Remuneration (C)<br>(Note 3) |                                                 | Business Execution<br>Expenses (D) |                                                 | After-tax Net Profit |                                            | Remunera<br>Bonus and<br>Fees (E) |                                            | Retiremen | t Pension<br>(F)                                | n Employee Remuneration ( |       |               |                                            |                | Percentage of<br>Net Profit (%)         | Remuneratio                                         |
| Title                   | Name                                                                                | The              | All<br>Compani<br>es within<br>the         | The                    | All<br>Compani<br>es within<br>the              | The                                      | All<br>Compani<br>es within<br>the              | The                                | All<br>Companie<br>s within<br>the              | The                  | All<br>Compani<br>es within<br>the         | The                               | All<br>Compani<br>es within<br>the         | The       | All<br>Compani<br>es within<br>the              | The Co                    | mpany | with<br>Conso | mpanies<br>in the<br>lidated<br>Statements | The            | All<br>Companies<br>within the          | n from<br>Investments<br>other than<br>Subsidiaries |
|                         |                                                                                     | Company          | Consolid<br>ated<br>Financial<br>Statement | Company                | Consolid<br>ated<br>Financial<br>Statement<br>s | Company                                  | Consolid<br>ated<br>Financial<br>Statement<br>s | Company                            | Consolida<br>ted<br>Financial<br>Statement<br>s | Company              | Consolid<br>ated<br>Financial<br>Statement | Company                           | Consolida<br>ted<br>Financial<br>Statement | Company   | Consolid<br>ated<br>Financial<br>Statement<br>s | Cash                      | Stock | Cash          | Stock                                      | Company        | Consolidated<br>Financial<br>Statements |                                                     |
| Chairman                | Shieh, Raui-Mu                                                                      | 2,646            | 2,646                                      | -                      | -                                               | 389                                      | 389                                             | -                                  | -                                               | 3,035<br>2.73%       | 3,035<br>2.73%                             | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 3,035<br>2.73% | 3,035<br>2.73%                          | Nil                                                 |
| Director                | Xude Investment Co.,<br>Ltd.Representative:<br>Hsia, Ching-Hsuan                    | -                | -                                          | -                      | -                                               | 260                                      | 260                                             | 18                                 | 18                                              | 278<br>0.25%         | 278<br>0.25%                               | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 278<br>0.25%   | 278<br>0.25%                            | Nil                                                 |
| Director                | Yeh-Chiang Technology<br>Corp.Representative:<br>Wang, Tai-Kuang                    | -                | -                                          | -                      | -                                               | 130                                      | 130                                             | -                                  | -                                               | 130<br>0.12%         | 130<br>0.12%                               | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 130<br>0.12%   | 130<br>0.12%                            | Nil                                                 |
| Director                | National Development<br>Fund, Executive Yuan<br>Representative: Lai,<br>Yung-Hsiang | -                | -                                          | -                      | -                                               | 260                                      | 260                                             | 12                                 | 12                                              | 272<br>0.25%         | 272<br>0.25%                               | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 272<br>0.25%   | 272<br>0.25%                            | Nil                                                 |
| Director                | Chen, Chun-Ya                                                                       | -                | -                                          | -                      | -                                               | 260                                      | 260                                             | -                                  | -                                               | 260<br>0.23%         | 260<br>0.23%                               | -                                 | -                                          | -         | -                                               | -                         | 1     | -             | -                                          | 260<br>0.23%   | 260<br>0.23%                            | Nil                                                 |
| Independent<br>Director | Chen, Hsin-Liang                                                                    | 360              | 360                                        | -                      | -                                               | -                                        | -                                               | 18                                 | 18                                              | 378<br>0.34%         | 378<br>0.34%                               | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 378<br>0.34%   | 378<br>0.34%                            | Nil                                                 |
| Independent<br>Director | Huang, Hsiang-Ying                                                                  | 360              | 360                                        | -                      | -                                               | -                                        | -                                               | 18                                 | 18                                              | 378<br>0.34%         | 378<br>0.34%                               | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 378<br>0.34%   | 378<br>0.34%                            | Nil                                                 |
| Independent<br>Director | Yang, Teng-Yu                                                                       | 360              | 360                                        | -                      | -                                               | -                                        | -                                               | 15                                 | 15                                              | 375<br>0.34%         | 375<br>0.34%                               | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 375<br>0.34%   | 375<br>0.34%                            | Nil                                                 |
| Independent<br>Director | Lin, Chang-Chih                                                                     | 360              | 360                                        | -                      | -                                               | -                                        | -                                               | 18                                 | 18                                              | 378<br>0.34%         | 378<br>0.34%                               | -                                 | -                                          | -         | -                                               | -                         | -     | -             | -                                          | 378<br>0.34%   | 378<br>0.34%                            | Nil                                                 |

<sup>2.</sup> In addition to the above table, the remuneration received by the Directors of the Company for services rendered to all the companies included in the financial statements (e.g. acting as consultants while not being employees, etc.) for the most recent year: None.

<sup>3.</sup> The amount of directors' remuneration to be paid in 2023 is based on estimates. The actual amount of directors' remuneration to be paid individually will be subject to the resolution approved by the Board of Directors of the Company.

Range of Remuneration

|                                                         | Kange of Ke                                                                                                                                                               | Name of                                                                                                                                                                                                                                                                                                                 | f Director                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                         |  |  |  |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| Range of Remuneration to Directors                      |                                                                                                                                                                           | rst Four Remunerations<br>+C+D)                                                                                                                                                                                                                                                                                         | Total Amount of the First Seven Remuneratio (A+B+C+D+E+F+G)                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                         |  |  |  |
| Range of Remuneration to Directors                      | The Company                                                                                                                                                               | All Companies within the<br>Consolidated Financial<br>Statements                                                                                                                                                                                                                                                        | The Company                                                                                                                                                                                                                                                                                                             | All Companies within the Consolidated Financial Statements                                                                                                                                                                                                                                                              |  |  |  |
| Lower than 1,000,000                                    | its representative(s) Hsia,<br>Ching-Hsuan, Yeh-Chiang<br>Technology Corp. and its<br>representative(s) Wang, Tai-<br>Kuang, Chen, Chun-Ya,<br>National Development Fund, | Xude Investment Co., Ltd. and its representative(s) Hsia, Ching-Hsuan, Yeh-Chiang Technology Corp. and its representative(s) Wang, Tai-Kuang, Chen, Chun-Ya, National Development Fund, Executive Yuan and its representative(s) Lai, Yung-Hsiang, Huang, Hsiang-Ying, Yang, Teng-Yu, Chen, Hsin-Liang, Lin, Chang-Chih | Xude Investment Co., Ltd. and its representative(s) Hsia, Ching-Hsuan, Yeh-Chiang Technology Corp. and its representative(s) Wang, Tai-Kuang, Chen, Chun-Ya, National Development Fund, Executive Yuan and its representative(s) Lai, Yung-Hsiang, Huang, Hsiang-Ying, Yang, Teng-Yu, Chen, Hsin-Liang, Lin, Chang-Chih | Xude Investment Co., Ltd. and its representative(s) Hsia, Ching-Hsuan, Yeh-chiang Technology Corp. and its representative(s) Wang, Tai-Kuang, Chen, Chun-Ya, National Development Fund, Executive Yuan and its representative(s) Lai, Yung-Hsiang, Huang, Hsiang-Ying, Yang, Teng-Yu, Chen, Hsin-Liang, Lin, Chang-Chih |  |  |  |
| 1,000,000 (inclusive) $\sim$ 2,000,000 (exclusive)      | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| $2,000,000$ (inclusive) $\sim 3,500,000$ (exclusive)    | Shieh, Raui-Mu                                                                                                                                                            | Shieh, Raui-Mu                                                                                                                                                                                                                                                                                                          | Shieh, Raui-Mu                                                                                                                                                                                                                                                                                                          | Shieh, Raui-Mu                                                                                                                                                                                                                                                                                                          |  |  |  |
| 3,500,000 (inclusive) $\sim$ 5,000,000 (exclusive)      | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| 5,000,000 (inclusive) ~10,000,000 (exclusive)           | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| $10,000,000$ (inclusive) $\sim 15,000,000$ (exclusive)  | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| 15,000,000 (inclusive) ~30,000,000 (exclusive)          | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| 30,000,000 (inclusive) $\sim$ 50,000,000 (exclusive)    | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| $50,000,000$ (inclusive) $\sim 100,000,000$ (exclusive) | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| 100,000,000 or more                                     | _                                                                                                                                                                         | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       | _                                                                                                                                                                                                                                                                                                                       |  |  |  |
| Total                                                   | 9 people                                                                                                                                                                  | 9 people                                                                                                                                                                                                                                                                                                                | 9 people                                                                                                                                                                                                                                                                                                                | 9 people                                                                                                                                                                                                                                                                                                                |  |  |  |

<sup>(2)</sup> Remuneration to Supervisors: Not applicable as the Company has established an Audit Committee.

## (3) Remuneration to General Manager and Deputy General Manager

Unit: NT\$ thousand; %

|                              |                            | Salar              | y (A)                                                  | Retirement<br>Pension (B) |                                                        | Bonus an<br>Fees |                                                   |        |        | muneration (D)<br>ote 1)                  | 1                             | a Percentage of | , B, C and D as<br>of After-tax Net<br>it (%)         |                               |
|------------------------------|----------------------------|--------------------|--------------------------------------------------------|---------------------------|--------------------------------------------------------|------------------|---------------------------------------------------|--------|--------|-------------------------------------------|-------------------------------|-----------------|-------------------------------------------------------|-------------------------------|
| Title Namo                   | Name                       |                    | All<br>Companie<br>s within                            |                           | All<br>Compani<br>es within                            |                  | All<br>Companie<br>s within                       | The Co | ompany | All Compani<br>Consolidated<br>Statements | ies within the<br>I Financial |                 | All<br>Companies                                      | Remuneration from Investments |
|                              | Ivanic                     | The<br>Compan<br>y | the<br>Consolida<br>ted<br>Financial<br>Statement<br>s | The<br>Comp<br>any        | the<br>Consolid<br>ated<br>Financial<br>Statemen<br>ts | The<br>Company   | the<br>Consolida<br>ted<br>Financial<br>Statement | Cash   | Stock  | Cash                                      | Stock                         | The<br>Company  | within the<br>Consolidated<br>Financial<br>Statements | other than<br>Subsidiaries    |
| General<br>Manager           | Hsieh,<br>Tien-<br>Hsin    | 3,610              | 3,610                                                  | 108                       | 108                                                    | 2,000            | 2,000                                             | 22     | -      | 22                                        | -                             | 5,740<br>5.17%  | 5,740<br>5.17%                                        | -                             |
| Deputy<br>General<br>Manager | Chuang<br>, Yung-<br>Huang | 1,478              | 1,478                                                  | 151                       | 151                                                    | 165              | 165                                               | 22     | -      | 22                                        | -                             | 1,816<br>1.64%  | 1,816<br>1.64%                                        | -                             |
| Deputy<br>General<br>Manager | Huang,<br>Kuo-<br>Chin     | 2,020              | 2,546                                                  | 108                       | 108                                                    | 500              | 500                                               | 22     | -      | 22                                        | -                             | 2,650<br>2.39%  | 3,176<br>2.86%                                        | -                             |

Note 1: The amount of employees' remuneration to be paid in 2023 is based on estimates. The actual amount of employees' remuneration to be paid individually will be subject to the resolution approved by the Board of Directors of the Company.

## Range of Salary

| Range of Salary paid to General Manager and Deputy      | Name of General Manager a | nd Deputy General Manager                                  |
|---------------------------------------------------------|---------------------------|------------------------------------------------------------|
| General Manager                                         | The Company               | All Companies within the Consolidated Financial Statements |
| Lower than 1,000,000                                    | _                         | _                                                          |
| $1,000,000$ (inclusive) $\sim 2,000,000$ (exclusive)    | Chuang, Yung-Huang        | Chuang, Yung-Huang                                         |
| $2,000,000$ (inclusive) $\sim 3,500,000$ (exclusive)    | Huang, Kuo-Chin           | Huang, Kuo-Chin                                            |
| $3,500,000$ (inclusive) $\sim 5,000,000$ (exclusive)    | _                         | _                                                          |
| $5,000,000$ (inclusive) $\sim 10,000,000$ (exclusive)   | Hsieh, Tien-Hsin          | Hsieh, Tien-Hsin                                           |
| $10,000,000$ (inclusive) $\sim 15,000,000$ (exclusive)  | _                         | _                                                          |
| $15,000,000$ (inclusive) $\sim 30,000,000$ (exclusive)  | _                         | _                                                          |
| $30,000,000$ (inclusive) $\sim 50,000,000$ (exclusive)  | _                         | _                                                          |
| $50,000,000$ (inclusive) $\sim 100,000,000$ (exclusive) | _                         | _                                                          |
| 100,000,000 and more                                    | _                         | _                                                          |
| Total                                                   | 3 people                  | 3 people                                                   |

(4) Remuneration of the Top Five Highest Paid Supervisors

| (4) Remuner                                | auon or                    | ine rop    | Tive inglie                             | si Faiu S  | upei visois                             |               |                                         |                                          |                       |                                                     |                                 |                                    |                                         |                                                                                            |
|--------------------------------------------|----------------------------|------------|-----------------------------------------|------------|-----------------------------------------|---------------|-----------------------------------------|------------------------------------------|-----------------------|-----------------------------------------------------|---------------------------------|------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------|
|                                            |                            | Sal        | lary (A)                                |            | nent Pension<br>(B)                     | Bonus and Spo | ecial Fees                              | Employee<br>Remuneration (D)<br>(Note 1) |                       |                                                     | D)                              | The Sum of A a Percentage of Profi |                                         |                                                                                            |
| Title                                      |                            | The<br>Com | All Companies within the                | The<br>Com | All Companies within the                | The           | All Companies within the                | The<br>Com<br>any                        | np<br>'               | All<br>Comp<br>within<br>Consc<br>Finance<br>Staten | the<br>lidated<br>cial<br>nents | The                                | All Companies within the                | Remuneratio<br>n from<br>Investments<br>other than<br>Subsidiaries<br>or Parent<br>Company |
|                                            |                            | pany       | Consolidated<br>Financial<br>Statements | pany       | Consolidated<br>Financial<br>Statements | Company       | Consolidated<br>Financial<br>Statements | C<br>a<br>s<br>h                         | S<br>t<br>o<br>c<br>k | C<br>a<br>s<br>h                                    | S<br>t<br>o<br>c<br>k           | Company                            | Consolidated<br>Financial<br>Statements |                                                                                            |
| General<br>Manager                         | Hsieh,<br>Tien-<br>Hsin    | 3,610      | 3,610                                   | 108        | 108                                     | 2,000         | 2,000                                   | 22                                       | -                     | 22                                                  | -                               | 5,740<br>5.17%                     | 5,740<br>5.17%                          | -                                                                                          |
| Deputy<br>General<br>Manager               | Huang,<br>Kuo-<br>Chin     | 2,020      | 2,546                                   | 108        | 108                                     | 500           | 500                                     | 22                                       | -                     | 22                                                  | -                               | 2,650<br>2.39%                     | 3,176<br>2.86%                          | -                                                                                          |
| Deputy<br>General<br>Manager               | Chuang<br>, Yung-<br>Huang | 1,478      | 1,478                                   | 151        | 151                                     | 165           | 165                                     | 22                                       | -                     | 22                                                  | -                               | 1,816<br>1.64%                     | 1,816<br>1.64%                          | -                                                                                          |
| Assistant Manager of Management Department | Lin,<br>Yu-<br>Hsin        | 1,410      | 1,410                                   | 108        | 108                                     | 250           | 250                                     | 22                                       | -                     | 22                                                  | -                               | 1,790<br>1.61%                     | 1,790<br>1.61%                          | -                                                                                          |
| Assistant Manager of R&D Department        | Hung,<br>Ming-<br>Hung     | 1,262      | 1,262                                   | 76         | 76                                      | 280           | 280                                     | 22                                       |                       | 22                                                  |                                 | 1,640<br>1.48%                     | 1,640<br>1.48%                          |                                                                                            |

Note 1: The amount of employees' remuneration to be paid in 2023 is based on estimates. The actual amount of employees' remuneration to be paid individually will be subject to the resolution approved by the Board of Directors of the Company.

## (5) Managers with Employee Remuneration Distribution

December 31, 2023; Unit: NT\$ thousand; %

|       | Title                                      | Name                      | Stock Bonus | Cash Bonus | Total | Ratio of Total<br>Amount<br>to Net Income<br>(%) |
|-------|--------------------------------------------|---------------------------|-------------|------------|-------|--------------------------------------------------|
|       | General Manager                            | Hsieh, Tien-<br>Hsin      |             |            |       |                                                  |
|       | Deputy General Manager                     | Chuang,<br>Yung-<br>Huang |             |            |       |                                                  |
| Manag | Deputy General Manager                     | Huang,<br>Kuo-Chin        | -           | 130        | 130   | 0.12%                                            |
| ers   | Assistant Manager of R&D Department        | Hung,<br>Ming-Hung        |             |            |       |                                                  |
|       | Assistant Manager of Management Department | Lin, Yu-<br>Hsin          |             |            |       |                                                  |
|       | Audit Supervisor (Note 2)                  | Chan, Hui-<br>Yen         |             |            |       |                                                  |

Note 1: Those who are not at the Assistant Manager level or above, or Supervisors/Unit Supervisors who are not appointed by the Board of Directors in accordance with the law, or those whose positions are concurrently held by officers not at the Assistant Manager level or above, are not disclosed.

Note 2: The amount of employees' remuneration to be paid in 2023 is based on estimates. The actual amount of employees' remuneration to be paid individually will be subject to the resolution approved by the Board of Directors of the Company.

- (6) Compare and describe the analysis of the total remuneration paid to the Company's Directors, General Managers and Deputy General Managers as a percentage of net income after tax for the most recent two years for the Company and all companies within the consolidated statements, either individually or as part of their respective financial statements, and describe the policies, standards, and packages for such remuneration, the procedures for setting such remuneration, and the relationship to operating performance and future risks:
  - 1. Analysis of Total Remuneration Paid to the Company's Directors, General Manager and Deputy General Manager as a Percentage of Net Income After Tax for the Last Two Years for Individual or Respective Financial Statements:

| Year                                                | 2023               |                                                                  | 2022                              |                                                                  |  |
|-----------------------------------------------------|--------------------|------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|--|
|                                                     | Ratio to After-tax | Net Income (%)                                                   | Ratio to After-tax Net Income (%) |                                                                  |  |
| Title                                               | The Company        | All Companies within<br>the Consolidated<br>Financial Statements | The Company                       | All Companies within<br>the Consolidated<br>Financial Statements |  |
| Director                                            | 4.94               | 4.94                                                             | 3.84                              | 3.84                                                             |  |
| General<br>Manager and<br>Deputy General<br>Manager | 9.20               | 9.67                                                             | 9.66                              | 10.14                                                            |  |

- Note 1: Since the Company has established an Audit Committee, the disclosure of the Supervisor's remuneration is not applicable.
- Note 2: The increase in total remuneration for Directors, General Manager and Deputy General Manager in 2023 as compared to 2022 was due to the increase in net income after tax in 2023.
  - 2. The policies, standards and packages for remuneration, the procedures for determining remuneration, and the relationship to operating performance and future risks.:
    - (1) Policies, Standards and Packages for Remuneration:
      - A. The remuneration of the Directors of the Company consists of three parts, which include the remuneration of the Independent Directors, Directors' Remuneration and Business Execution Expenses:
      - (A). Remuneration of Independent Directors: Independent Directors shall be paid a monthly salary by the Company regardless of the Company's profit or loss while performing their duties for the Company, which may be set or adjusted by the Company's Remuneration Committee in accordance with their participation in the Company's operations and the value of their contribution, and submitted to the Board of Directors for resolution. The Company's Independent Directors are not eligible to the distribution of Directors' remuneration as stipulated in the Company's Articles of Incorporation.
      - (B). Remuneration of Directors: In accordance with Article 30-3 of the Company's Articles of Incorporation, the Company may set aside up to 2.07% of the Company's annual profits (if any) for the purpose of determining the remuneration of individual Directors based on the Company's operating performance, as well as the assessment results of the duties, responsibilities, and performance of the individual Directors.
      - (C). Business execution expenses are in a fixed amount based on the actual number of board meetings attended.
    - B. The Company's managers are compensated as if they were regular employees. Depending on the Company's operating and profitability conditions, the Company's managers are evaluated based on their participation in the Company's operations, their scope of responsibilities within the Company, the circumstances under which they hold their positions, and their performance evaluations, taking into account his/her ability in realizing the Company's core values and operational management, financial and business performance indicators, and general management indicators, as well as other special contributions or significant negative events, he/she may be then be reasonably compensated with various prizes, bonuses and benefits accordingly. The Company provides bonuses, year-end bonuses, and other remuneration in accordance with the Company's "Rules Governing the Remuneration of Managers," the scope of responsibilities of the position, and the degree of its contribution to the Company's operating performance. In addition, if there is a profit in the current year, the Company

- shall, in accordance with Article 30-3 of the Articles of Incorporation, provide the employees with a remuneration of not less than 5.52% of the total amount. The remuneration will be calculated with reference to the financial operating performance data and non-financial contribution of each manager's responsible unit, and the remuneration system will be reviewed in a timely manner based on the actual operating conditions and relevant laws and regulations.
- C. The Company's remuneration packages, including cash compensation, stock options, severance pay, various allowances and other benefits with tangible incentives, are subject to review by the Remuneration Committee and discussion by the Board of Directors before being distributed.
- (2) Procedures for Determining the Remuneration of Directors, General Manager and Deputy General Manager of the Company.
  - A. The performance evaluation of the Company is based on the "Rules Governing the Performance Evaluation of the Board of Directors" and the "Rules Governing the Remuneration of Managers". In addition to making reference to the Company's overall operational performance, future risks and development trends of the industry, the Directors' remuneration is also internally evaluated through a self-assessment questionnaire. The evaluation indicators include: understanding of the Company's goals and tasks, the Directors' awareness of their duties and responsibilities, the extent of their participation in the Company's operations, the professionalism of the Directors and their continuing education, the results of internal control, etc., and the degree of their contribution to the Company, all of which result in the granting of a reasonable remuneration. As for the remuneration of General Manager and Deputy General Manager, they are approved with reference to the performance of the individual manager, the unit in charge, and the correlation between the Company's overall operational performance and future risks, which are then proposed by the Remuneration Committee and submitted to the Board of Directors for resolution.
- B. The reasonableness of the performance appraisal and remuneration of the Company's Directors and managers are evaluated and reviewed by the Remuneration Committee and the Board of Directors on a regular basis each year, not only by making reference to the aforementioned factors, but also by taking into account the current trend of corporate governance, before granting them a reasonable remuneration in order to strike a balance between the Company's sustainable operation and risk control. The actual amount of remuneration to the Directors and Managers in 2023 has been reviewed and approved by the Remuneration Committee before being put forward to the Board of Directors for approval.
- (3) Correlation between Operating Results and Future Risks:
- A. The Company's remuneration policy is determined primarily on the basis of the Company's overall operating conditions, and the standard of payment is determined based on the accomplishment rate and contribution of each unit, which reflects the operating efficiency of the Board of Directors and the management team. In addition, the Company makes reference to the industry's remuneration standards to ensure that the remuneration of the Company's management is competitive in the industry, so as to retain outstanding management talents.
- B. The Company combines managerial performance goals with the "Risk Control" in order to ensure the management and prevention of possible risks within the scope of responsibilities, and integrates all relevant human resources and relevant salary and remuneration policies in accordance with the results of actual performance assessment. The management of the Company evaluates various present and future risk factors and makes appropriate assessments before making important decisions. The performance of such decisions is reflected in the Company's profitability, and thus the remuneration of the management is associated with the performance of risk control.
- C. Correlation of Future Risks: The Company's remuneration will be evaluated and adjusted in consideration of future changes in the environment and operating performance, and Directors and Managers who are involved in unlawful acts that result in losses to the Company may be subject to disciplinary action as required by law.

#### 4. Corporate Governance Status

(1) Operation of the Board of Directors

A total of seven Board meetings were held as of the publication date of the annual report of the Board of Directors in 2023 and 2024 as of December 31, and the Directors' attendance at these meetings was as follows:

| Title                   | Name                                                                             | Actual No.<br>of Meetings<br>Attended | No. of Meetings with Entrusted Attendance | Actual<br>Attendance<br>Rate | Remarks                             |
|-------------------------|----------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------|------------------------------|-------------------------------------|
| Chairman                | Shieh, Raui-Mu                                                                   | 7                                     | 0                                         | 100.00%                      | Re-elected on August 27, 2021       |
| Director                | Xude Investment Co., Ltd.<br>Representative: Hsia, Ching-<br>Hsuan               | 7                                     | 0                                         | 100.00%                      | Re-elected on August 27, 2021       |
| Director                | National Development Fund,<br>Executive Yuan<br>Representative: Lai, Yung-Hsiang | 6                                     | 1                                         | 85.71%                       | Re-elected on August 27, 2021       |
| Director                | Yeh-Chiang Technology Corp.<br>Representative: Wang, Tai-Kuang                   | 2                                     | 5                                         | 28.57%                       | Newly-elected on<br>August 27, 2021 |
| Director                | Chen, Chun-Ya                                                                    | 7                                     | 0                                         | 100.00%                      | Newly-elected on<br>August 04, 2022 |
| Independent<br>Director | Huang, Hsiang-Ying                                                               | 7                                     | 0                                         | 100.00%                      | Re-elected on August 27, 2021       |
| Independent<br>Director | Yang, Teng-Yu                                                                    | 7                                     | 0                                         | 100.00%                      | Re-elected on August 27, 2021       |
| Independent<br>Director | Chen, Hsin-Liang                                                                 | 7                                     | 0                                         | 100.00%                      | Re-elected on August 27, 2021       |
| Independent<br>Director | Lin, Chang-Chih                                                                  | 7                                     | 0                                         | 100.00%                      | Newly-elected on<br>August 27, 2021 |

## Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the opinions of all independent Directors and the Company's handling of the opinions of the Independent Directors:

(1) Matters listed in Article 14-3 of the Securities Exchange Act:

| Board Meeting<br>Date/Session | Content(s) of the Motion                                                                                                                                                                                                                                                                                                                                                                        | All Independent<br>irectors' Opinions | The Company's Handling of Independent Directors' Opinions |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-----------------------------------------------------------|
| March 16, 2023/10-11          | <ul> <li>The Company's "Assessment of the Effectiveness of the Internal Control System" and "Statement of Internal Control System" for 2022.</li> <li>The Company's 2022 Business Report and Self-concluded Financial Statements.</li> <li>The Company's "Corporate Governance Best Practice Principles."</li> <li>The Company's "Sustainable Development Best Practice Principles."</li> </ul> | No objections or reservations.        | Approved in accordance with the original motion.          |
| May 04,<br>2023/10-13         | <ul> <li>The Company's derivatives.</li> <li>The capital increase of the German subsidiary.</li> </ul>                                                                                                                                                                                                                                                                                          | No objections or reservations.        | Approved in accordance with the original motion.          |
| August 03,<br>2023/10-14      | The Company's derivatives.                                                                                                                                                                                                                                                                                                                                                                      | No objections or reservations.        | Approved in accordance with the original motion.          |
| November 02, 2023/10-15       | Changing of the Company's Accounting Supervisor.                                                                                                                                                                                                                                                                                                                                                | No objections or reservations.        | Approved in accordance with the original motion.          |

| Boa<br>Da | ard Meeting<br>ate/Session | • Content(s) of the Motion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | All Independent<br>Directors'<br>Opinions | The Company's Handling of Independent Directors' Opinion |
|-----------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------|
|           | March 12,<br>024/10-17     | <ul> <li>The Company's "Assessment of the Effectiveness of the Internal Control System" and "Statement of Internal Control System" for 2023.</li> <li>The Company's derivatives.</li> <li>The Company's 2023 Business Report and Financial Statements.</li> <li>Amendments to the Company's Article of Incorporation.</li> <li>Amendments to the Company's Rules of Procedure of the Shareholders' Meeting.</li> <li>The German subsidiary Quaser Europe Technical Center GmbH's investment in MWA Magdeburger Werkzeugmaschinen &amp; Automation GmbH.</li> <li>Amendments to the Company's "Ethical Corporate Management Best Practice Principles"</li> </ul> | No objections or reservations.            | Approved in accordance with th original motion.          |

(2) Other than the aforementioned matters, the board resolutions which Independent Directors object to or have reservations about and there are records or written statements for them: The Company did not encounter any of the circumstances.

2. For the situation where a Director avoids a motion related to his/her own interests, please specify the Director's names, the contents of the motion, the reasons for the avoidance of interests and the voting

results: The Company did not encounter any of the circumstances.

| Board Meeting<br>Date/Session | Content(s) of the<br>Motion              | Name of Director | Reason for Avoidance                           | Participation in Voting                |
|-------------------------------|------------------------------------------|------------------|------------------------------------------------|----------------------------------------|
| March 12, 2024/10-17          | 2023 managers' year-<br>end bonus payout | Shieh, Raui-Mu   | Involvement of the party's relative's interest | Avoidance during discussion and voting |

3. Information on the evaluation cycle and period, scope, method and content of the Board's self (or peer) assessment.

| peer) as            | ssessment.                                     | 1                                                                                                                             | 1                                                                                        | 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Evaluation<br>Cycle | Evaluation<br>Period                           | Evaluation<br>Scope                                                                                                           | Evaluation<br>Method                                                                     | Evaluation Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Once per<br>Year    | January 01,<br>2023 to<br>December<br>31, 2023 | Board of Directors, individual Board members and functional committees (including Audit Committee and Remuneration Committee) | Internal self-<br>assessment of the<br>Board and self-<br>assessment by<br>Board members | The items measured in the evaluation of the Board's performance covered the following five major aspects.  1. Participation in Company operations.  2. Improving the Board of Directors' decision-making quality.  3. Composition and structure of the Board of Directors.  4. Appointment and continuing education of Directors.  5. Internal control.  The items measured in the evaluation of individual Board member's performance covered the following six major aspects.  1. Knowledge of corporate goals and mission  2. Knowledge of Directors' responsibilities  3. Participation in Company operations  4. Internal relationship management and communication  5. Expertise and continuing education of Directors  6. Internal control.  The items measured in the evaluation of the functional committees' performance covered the following five major aspects.  1. Participation in Company operations  2. Knowledge of functional committee's responsibilities |

| 5 Internal control |  |  | 3. Improving the functional committee's decision-making quality. 4. Composition and election of the members of the functional committees. 5. Internal control. |
|--------------------|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|--------------------|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------|

The 2023 assessment has been completed in December 2023 and the results were reported in the Board of Directors' meeting held on December 21, 2023, with the following results: The overall average score of the Board of Directors' performance self-assessment: 4.75, the overall average score of the Board members' self-assessment: 4.75, the overall average score of the Audit Committee's performance self-assessment: 4.95, and the overall score for the Remuneration Committee self-assessment: 5. The scores ranged from good (agree) to excellent (strongly agree), indicating that the Directors are satisfied that the existing system of the Company's Board of Directors, including all functional committees, has been well established and operated, and that they have been able to fully perform their functions.

- 4. Evaluation of the goals (e.g., establishment of an Audit Committee, strengthening of information transparency, etc.) and implementation status on strengthening the functions of the Board of Directors for the current year and the most recent year.
  - 1. The Company has established a Remuneration Committee on April 20, 2016 to assist the Board of Directors in implementing and evaluating the Company's overall remuneration and welfare policies.
  - 2. The Company's extraordinary shareholders' meeting on August 02, 2016 elected three additional Independent Directors and established an Audit Committee to replace the Supervisor System so as to strengthen the corporate governance functions of the Board of Directors.
  - 3. The Company has appointed a spokesperson and an acting spokesperson, and has been uploading material information related to the Company onto the Market Observation Post System for the purpose of strengthening the transparency of information to the public.
  - (2) The operating status of the Audit Committee or Supervisor's participation in the Board of Directors Meeting.

The Company has established an Audit Committee as of August 02, 2016.

- 1. Items subject to the Audit Committee's auditing include:
  - (1) The establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
  - (2) Assessment of the effectiveness of the internal control system.
  - (3) The procedures for handling significant financial operations such as acquiring or disposing of assets, engaging in derivative transactions, lending funds to others, and endorsing or providing guarantees for others are established or amended in accordance with Article 36-1 of the Securities and Exchange Act.
  - (4) Matters in which a Director has a personal interest.
  - (5) Significant asset or derivative transactions.
  - (6) Significant lending of funds, endorsement or guarantee.
  - (7) The raising, issuance, or private placement of securities with an equity nature.
  - (8) The appointment, termination or remuneration of CPAs.
  - (9) The appointment and dismissal of the supervisor of finance, accounting or internal audit.
  - (10) To review and discuss with the CPA(s) the annual financial statements and quarterly financial reports regarding the compliance with the domestic competent authorities' requirements, which are signed or affixed with seals by the Chairman, the Manager and the Accounting Supervisor.
  - (11) Other material matters as stipulated by the Company or the competent authorities.

Operation of the Audit Committee:
 A total of seven meetings were held by the Audit Committee in 2023 and 2024 as of the publication date of the annual report, and the attendance of the Independent Directors was as follows.

| Title                   | Name                   | Actual No. of<br>Meetings<br>Attended | No. of<br>Meetings with<br>Entrusted<br>Attendance | Actual<br>Attendance<br>Rate (%) | Remarks                          |
|-------------------------|------------------------|---------------------------------------|----------------------------------------------------|----------------------------------|----------------------------------|
| Independent<br>Director | Huang, Hsiang-<br>Ying | 7                                     | 0                                                  | 100.00%                          | Re-elected on August 27,<br>2021 |
| Independent<br>Director | Yang, Teng-Yu          | 7                                     | 0                                                  | 100.00%                          | Re-elected on August 27,<br>2021 |
| Independent<br>Director | Chen, Hsin-Liang       | 7                                     | 0                                                  | 100.00%                          | Re-elected on August 27,<br>2021 |
| Independent<br>Director | Lin, Chang-Chih        | 7                                     | 0                                                  | 100.00%                          | Re-elected on August 27, 2021    |

#### Other matters to be recorded:

1. If any of the following circumstances occurs in the course of the Audit Committee's operations, please indicate the date of the Audit Committee meeting, session number, contents of the motion, as well as independent Directors' objections, reservations, or important suggestions, resolutions of the Audit Committee, and the Company's handling of the Audit Committee's opinions:

(1) Matters listed in Article 14-5 of the Securities Exchange Act:

| Audit<br>Committee's<br>Meeting<br>Date/Session | Matters for Discussion                                                                                                                                                                                                                                                                                                                                                                          | Objection by<br>Independent<br>Director | Reservations<br>or Significant<br>Proposals | Resolution of<br>the Audit<br>Committee                                       | The Company's Handling of the Audit Committee's Opinions                      |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| March 16,<br>2023/3-11                          | <ul> <li>The Company's "Assessment of the Effectiveness of the Internal Control System" and "Statement of Internal Control System" for 2022.</li> <li>The Company's 2022 Business Report and Self-concluded Financial Statements.</li> <li>The Company's "Corporate Governance Best Practice Principles."</li> <li>The Company's "Sustainable Development Best Practice Principles."</li> </ul> | Nil.                                    | Nil.                                        | Approved by resolution of all members present, in accordance with the motion. | Approved by resolution of all members present, in accordance with the motion. |
| May 04,<br>2023/3-13                            | <ul> <li>The Company's derivatives.</li> <li>The capital increase of the German subsidiary.</li> </ul>                                                                                                                                                                                                                                                                                          | Nil.                                    | Nil.                                        | Approved by resolution of all members present, in accordance with the motion. | Approved by resolution of all members present, in accordance with the motion. |
| August 03,<br>2023/3-14                         | The Company's derivatives.                                                                                                                                                                                                                                                                                                                                                                      | Nil.                                    | Nil.                                        | Approved by resolution of all members present, in accordance with the motion. | Approved by resolution of all members present, in accordance with the motion. |
| November 02, 2023/3-15                          | Changing of the Company's Accounting<br>Supervisor.                                                                                                                                                                                                                                                                                                                                             | Nil.                                    | Nil.                                        | Approved by resolution of all members present, in accordance with the motion. | Approved by resolution of all members present, in accordance with the motion. |
| December 21, 2023/3-16                          | Nil.                                                                                                                                                                                                                                                                                                                                                                                            | Nil.                                    | Nil.                                        | Approved by resolution of all members present, in accordance with the motion. | Approved by resolution of all members present, in accordance with the motion. |
| March 12, 2024/3-17                             | The Company's "Assessment of the<br>Effectiveness of the Internal Control<br>System" and "Statement of Internal                                                                                                                                                                                                                                                                                 | Nil.                                    | Nil.                                        | Approved by<br>resolution of all<br>members<br>present, in                    | Approved by resolution of all members present, in accordance                  |

| Control System" for 2023.                                                                                                                  | accordance with | with the motion. |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| The Company's derivatives.                                                                                                                 | the motion.     |                  |
| • The Company's 2023 Business Report and Financial Statements.                                                                             |                 |                  |
| Amendments to the Company's Article of Incorporation.                                                                                      |                 |                  |
| <ul> <li>Amendments to the Company's Rules<br/>of Procedure of the Shareholders'<br/>Meeting.</li> </ul>                                   |                 |                  |
| The German subsidiary Quaser Europe<br>Technical Center GmbH's investment in<br>MWA Magdeburger<br>Werkzeugmaschinen & Automation<br>GmbH. |                 |                  |
| Amendments to the Company's "Ethical<br>Corporate Management Best Practice<br>Principles"                                                  |                 |                  |

- (2) Other than the aforementioned matters, the board resolutions approved by more than two-thirds of the Directors that were not approved by the Audit Committee: None.
- 2. In case of a conflict of interest in a matter under discussion wherein an independent Director chooses to recuse himself/herself, specify the independent Director's name, content of the motion, reasons for recusal and voting results: None.
- 3. The communication between the Independent Directors, Audit Supervisor and CPA (which includes material issues, methods and results of communication regarding the Company's financial and business conditions).

(1) Summary of communications between the Independent Directors and the CPA(s).

| (-)                    | ,                                                                                                                                                                                                                                                                                            | T                                                                                                                                                                                                                |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date                   | Communication Highlights                                                                                                                                                                                                                                                                     | Communication Results                                                                                                                                                                                            |
| March 16, 2023/3-11    | <ol> <li>The CPAs explained the audit results of the<br/>2022 individual and consolidated financial<br/>statements and addressed the key audit<br/>results in the communication.</li> <li>The CPAs discussed and communicated the<br/>issues raised by the Independent Directors.</li> </ol> | The Audit Committee has approved the 2022 financial report and submitted it to the Board of Directors for approval, and has made public announcements and declared it to the competent authorities as scheduled. |
| March 12,<br>2024/3-17 | <ol> <li>The CPAs explained the audit results of the 2023 individual and consolidated financial statements and addressed the key audit results in the communication.</li> <li>The CPAs discussed and communicated the issues raised by the Independent Directors.</li> </ol>                 | The Audit Committee has approved the 2023 financial report and submitted it to the Board of Directors for approval, and has made public announcements and declared it to the competent authorities as scheduled. |

(2) Summary of communications between the Independent Directors and the Audit Supervisor (s).

| Super ( Ison (          | <i>z</i> ).                                    |                                                 |  |
|-------------------------|------------------------------------------------|-------------------------------------------------|--|
| Date                    | Communication Highlights                       | Communication Results                           |  |
| March 16,               | 1. Key Audit Report for December               | The Independent Directors had no objections to  |  |
| 2023/                   | 2022~February 2023.                            | the report on the audit results upon discussion |  |
| 3-11                    | 2. 2022 Statement of Internal Control System   | and communication.                              |  |
| May 04,<br>2023/3-13    | 1 Very Audit Beneat for March 2022 April       | The Independent Directors had no objections to  |  |
|                         | 1. Key Audit Report for March 2023~April 2023. | the report on the audit results upon discussion |  |
|                         | 2023.                                          | and communication.                              |  |
| August 03,<br>2023/3-14 |                                                | The Independent Directors had no objections to  |  |
|                         | 1. Key Audit Report for May 2023~July 2023.    | the report on the audit results upon discussion |  |
|                         |                                                | and communication.                              |  |
| November                | 1 Very Audit Demont for Average 2022 October   | The Independent Directors had no objections to  |  |
| 02, 2023/               | 1. Key Audit Report for August 2023~October    | the report on the audit results upon discussion |  |
| 3-15                    | 2023.                                          | and communication.                              |  |
| December                | 1 V A 1/4 D 4 f N 1 2022                       | The Independent Directors had no objections to  |  |
| 21, 2023/3-             | 1. Key Audit Report for November 2023.         | the report on the audit results upon discussion |  |
| 16                      | 2. 2024 Audit Plan.                            | and communication.                              |  |
| March 12,<br>2024/3-17  | 1. Key Audit Report for December               | The Independent Directors had no objections to  |  |
|                         | 2023~February 2024.                            | the report on the audit results upon discussion |  |
|                         | 2. 2023 Statement of Internal Control System.  | and communication.                              |  |

3. Participation of Supervisors in the Operation of the Board of Directors: The Company has established an Audit Committee to replace the function of supervisors.

## (3) Corporate Governance Status, Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons

| Evaluation Item                                                                                                                                                                                                              |   | Implementation Status |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Deviations from "the Corporate                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                              |   | N<br>o                | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Governance Best-Practice Principles<br>for TWSE/TPEx Listed Companies"<br>and Reasons |
| 1. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the Company established and disclosed its own Corporate Governance Best Practice Principles?            | V |                       | The Company has established the "Corporate Governance Best Practice Principles" on March 16, 2023 to safeguard shareholders' rights and interests, strengthen the functions of the Board of Directors, respect the rights and interests of stakeholders, and enhance the transparency of information. The Company's website can be accessed at https://www.quaser.com/tw/Investors/Corporate Governance/Important Articles and Market Observation Post System/Corporate Governance/Relevent rules for the Establishment of Corporate Governance.                                                    | No major difference.                                                                  |
| The Company's shareholding structure and shareholders' equity     Has the Company set up internal operating procedures to handle shareholder proposals, doubts, disputes and litigation matters and followed the procedures? | V |                       | (1) The Company has set up a spokesperson and acting spokesperson system, and the Company's website also provides a dedicated e-mail address to handle shareholders' proposals, doubts, disputes and litigation-related matters.                                                                                                                                                                                                                                                                                                                                                                    |                                                                                       |
| (2) Does the Company have a list of its major shareholders and the ultimate controllers of the major shareholders?                                                                                                           | V |                       | (2) The Company manages a list of major shareholders and their ultimate controllers in order to ensure the stability of its business operations. In addition, changes in the shareholdings of directors, managers, and major shareholders holding 10% or more of the shares are disclosed on the Market Observation Post System website in accordance with the provisions of Article 25 of the Securities and Exchange Act.                                                                                                                                                                         | (2) No major difference.                                                              |
| (3) Has the Company established and implemented risk management and firewall mechanisms with its affiliates?                                                                                                                 | V |                       | (3) The Company has established methods to control the management of related party transactions, endorsement and guarantee, and lending of funds between the Company and its affiliates. In addition, the Company has established the "Rules Governing the Supervision and Management of Subsidiaries" and the "Procedures for Group Companies, Specified by Public Companies" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" issued by the Financial Supervisory Commission, in order to regulate financial transactions and matters |                                                                                       |

|                                                                                                                                                                               |         |        | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Deviations from "the Corporate                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Evaluation Item                                                                                                                                                               | Y<br>es | N<br>o | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Governance Best-Practice Principles<br>for TWSE/TPEx Listed Companies"<br>and Reasons |
|                                                                                                                                                                               |         |        | subject to supervision.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                       |
| (4) Has the Company set up an internal standard to prohibit the insiders' use of private information to trade securities?                                                     | V       |        | (4) The Company has established the "Management of Information Declared by Insiders," "Procedures for Handling Material Internal Information," and "Procedures for Prevention of Insider Trading," which stipulate clear restrictions on trading in securities by insiders, as well as the prohibition of trading in securities by insiders based on unpublished information in the market.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                       |
| 3. The composition and duties of the Board of Directors (1) Has the Board of Directors formulated a diversified approach and specific management goals, and implemented them? | V       |        | (1)  1. In Chapter 3, "Strengthening the Functions of the Board of Directors" of the "Corporate Governance Best Practice Principles" of the Company, a diversity policy has been established, which requires that the Board of Directors possesses various capabilities as a whole. The composition of the Board of Directors shall be based on the Company's operation model and its needs, and the Company seeks to recruit talented individuals with professional knowledge, skills, and experience in a variety of industries. In addition, the Company also adheres to the "Procedures for the Election of Directors" and the "Corporate Governance Best Practice Principle" to ensure the diversity and independence of its board members.  2. The nine members of the Board of Directors of the Company include: Chairman Shieh, Raui-Mu, who has been working in the field of the Company's business for an extensive period of time, is well versed in the operation and development of the industry, and has an open style of leadership and is capable of listening to advice; Director Hsia, Ching-Hsuan, who was a member of the management team of the Company and is familiar with the organization and business operation of the Company; Directors Wang, Tai-Kuang and Chen, Chun-Ya, who possess knowledge of other technological industries and global perspective, and are familiar with the Southeast Asian market conditions, and are capable of fully assisting the Company in making relevant investment decisions; Director Lai, Yung-Hsiang, being the Head of the Office for the Promotion of Smart Machinery, is well versed in the development of smart machinery. In addition, the Independent Directors of the Company also possess extensive industry experience and expertise. The Independent Directors of |                                                                                       |

|                                                                                                                                                                       |         |        | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Deviations from "the Corporate                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Evaluation Item                                                                                                                                                       | Y<br>es | N<br>o | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Governance Best-Practice Principles<br>for TWSE/TPEx Listed Companies"<br>and Reasons                                                                                                                                                                                                                                                                              |
| (2) Has the Company set up other types of functional committees voluntarily in addition to the Remuneration Committee and Audit Committee in accordance with the law? | V       | V      | Yang, Teng-Yu and Lin, Chang-Chih are equipped with extensive knowledge of the machinery industry and experience in business judgment; while the Independent Director Chen, Hsin-Liang is a legal expert and the Independent Director Huang, Hsiang-Ying is a financial and accounting expert.  3. The percentage of Directors who are also employees of the Company is 11%, the percentage of Independent Directors is 44%, and the percentage of female Directors is 11%. One Independent Director has served for a term of less than three years, one Independent Director has served for a term of 4~6 years, and two Independent Directors have served for a term of 6~9 years; three Directors are aged over 71 years old, three are aged 61~70 years old, one is aged 51~60 years old, and two are aged 50 years old or below.  4. The Board of Directors' policy on diversity has been disclosed in the annual report and on the Company's website.  (2) The Company has established a Remuneration Committee in accordance with the law, and since August 02, 2016, the Audit Committee has also been operating in accordance with its organizational rules and regulations, and has convened meetings to discuss and resolve issues in accordance with its responsibilities; all issues relating to the resolutions listed by each of the functional committees can be submitted to the Board of Directors for approval in accordance with the law, and there is no need to set up any other functional committees for the Company's current operational needs. | (2) In addition to the Remuneration Committee, the Company has also established an Audit Committee. The organizational procedures of the Remuneration Committee and Audit Committee have been approved through the Board of Directors' resolutions, and other functional committees will be planned and established in accordance with the Company's future needs. |
| (3) Has the Company set up a performance appraisal method and assessment method for the Board of Directors, conducted an annual performance appraisal on a regular    | V       |        | (3) The Company's Board of Directors approved the "Evaluation Method of the Board's Performance" on March 30, 2021, under which the Company conducts an evaluation of the performance of the Board of Directors after the end of each fiscal year. In addition to the evaluation of the overall operation of the Board of Directors, each                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (3) No major difference.                                                                                                                                                                                                                                                                                                                                           |
| basis, submitted results of the performance assessments to the                                                                                                        |         |        | Director is required to conduct a self-assessment of his/her own performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                    |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                           |         |                       | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from "the Corporate                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                           | Y<br>es | Abstract Illustration |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
| Board of Directors and used them as reference in determining compensation and nomination as well as additional term of office of individual Directors?                                                                                                                                                                                                                                                                                                    | ***     |                       | The evaluation criteria may be revised and adjusted in accordance with the Company's needs, and the scores may also be weighted according to each measurement aspect, and the evaluation results will be reported to the Board of Directors, with proposals for improvement. The Company has completed the performance evaluation of the Board of Directors, the functional committees and their members in December 2023 in accordance with the aforementioned method, and the evaluation results have all achieved a score of either "good" /"excellent" or above, and have been submitted to the Board of Directors' meeting held on December 21, 2023, with the performance evaluation results serving as a reference for the selection or nomination of Directors.                                                                                                                                                                                                                                                           |                                                                                 |
| (4) Does the Company regularly evaluate the independence of its certified public accountants?                                                                                                                                                                                                                                                                                                                                                             | V       |                       | (4) The Company evaluates the independence and suitability of its CPAs on an annual basis, and the CPAs also issue Statements of Independence and Audit Quality Indicators ("AQIs"). The results of the most recent CPA independence and suitability evaluation form and AQIs evaluation were submitted to the Audit Committee and the Board of Directors on March 12, 2024 for review and approval. Please refer to Note 1 for the CPA Independence and Suitability Assessment Form.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (4) No major difference.                                                        |
| 4. Does the TWSE/TPEx listed company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate governance officer responsible for corporate governance-related matters (including but not limited to providing Directors and supervisors with required information to carry out their business, assisting Directors and supervisors with legal compliance, handling corporate registration | V       |                       | The Company has appointed personnel of finance and stock affairs, who also serves as corporate governance personnel, to be responsible for matters related to corporate governance. As approved by the Board of Directors on October 01, 2021, the Supervisor of the department, who also serves as the Supervisor of corporate governance, possesses more than three years of experience as a supervisor of a unit of a public company engaged in finance or stock affairs, among others. The Supervisor is responsible for supervisory duties and his/her scope of responsibilities includes providing Directors with the necessary information to perform their duties, assisting Directors in complying with laws and regulations, handling matters related to the Board of Directors' and Shareholders' meetings in accordance with the law, registering companies and changes in registration, preparing minutes of the Board of Directors' and Shareholders' meetings, and assisting Directors in assuming their positions | No major difference.                                                            |

|                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |        | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Deviations from "the Corporate                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Evaluation Item                                                                                                                                                                                                                                                                                                                       | Y<br>es                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | N<br>o | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
| and change of corporate registration-related matters, and preparing board and shareholders' meeting minutes)?                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |        | and pursuing continuing education, among other things. In addition, the Company values internal auditing and empowers the auditing unit with sufficient authority to ensure that the auditing unit is able to inspect and evaluate the deficiencies of the internal control system and measure the efficiency of the operations, as well as to assist the Board of Directors and the management in fulfilling their duties and responsibilities, which in turn leads to the implementation of corporate governance. |                                                                                 |
| 5. Has the Company established a communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up a page for these interested parties on the Company's website, and appropriately responded to them concerning important corporate social responsibility issues? | to serve as the Company's external communication channels to enable them to understand the Company's operating conditions. A special section for stakeholders has been set up on the Company's official website to provide dedicated communication channels for stakeholders with different profiles. Through the communication channels, stakeholders are able to learn about the Company's financial operations, information related to corporate social responsibility, and channels for feedback, as well as to inquire about the Company's finances, operations, and corporate governance. |        | No major difference.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                 |
| 6. Has the Company appointed a professional stock transfer agent to handle shareholder-related affairs?                                                                                                                                                                                                                               | V                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        | The Company has appointed the Stock Affairs Department of Fubon Securities Co., Ltd. to act on its behalf at the general shareholders' meeting.                                                                                                                                                                                                                                                                                                                                                                     | No major difference.                                                            |
| 7. Information disclosure (1) Has the Company set up a website to disclose financial and corporate governance information?                                                                                                                                                                                                            | V                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        | (1) The Company has set up an official website (www.quaser.com/tw/) and an investor section to disclose information regarding the Company's financial operations and corporate governance, whereby information regarding the Company can also be accessed through the Market Observation Post System.                                                                                                                                                                                                               | (1) No major difference.                                                        |
| (2) Does the Company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of                                                                                                                                                | V                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        | (2) The Company has assigned dedicated personnel to be responsible for the disclosure of information on the Exchange's Market Observation Post System and the disclosure of information on the Company's website, and has set up websites in both English and Chinese, with dedicated personnel responsible for the collection and disclosure of relevant information on the Company's finances and operations. The                                                                                                 | (2) No major difference.                                                        |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                           |   |                           | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Deviations from "the Corporate                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                           |   | N o Abstract Illustration |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Governance Best-Practice Principles<br>for TWSE/TPEx Listed Companies"<br>and Reasons                                                                                                                                                                    |
| company information, implementing the spokesperson system, and posting the Company's corporate briefing process on the website, etc.)?                                                                                                                                                                                                                                                                                                                    |   |                           | Company also has a spokesperson and an acting spokesperson to serve as a channel for outbound communication in accordance with the regulations. The information of the corporate briefing sessions is also posted on the Company's official website. With respect to the disclosure of corporate governance information, the Company has provided investors with important information on the Company, its financial condition, shareholders' meetings and dividend payments, internal audit structure and operation, and articles of incorporation on its official website.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                          |
| (3) Has the Company published and report annual financial report within two months after the end of a fiscal year, and publish and report financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?                                                                                                                                                                        |   | V                         | (3) The Company's quarterly and annual financial reports, as well as announcements and reports on operations for each month, were all completed within the deadlines required by the laws and regulations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | The Company will continue to comply with the regulations, standards and requirements as stipulated by the competent authorities in promoting the transparency of financial information, which is the goal that the Company has been striving to achieve. |
| 8. Does the Company have any other important information (including but not limited to employee rights, employee care, investor relations, supplier relationship, rights and interests of interested parties, training for Directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for Directors and supervisors, etc.)? | V |                           | <ol> <li>(1) Employee Rights and Employee Care: The Company has established an Employee Welfare Committee, as well as a sound employee welfare measures, continuing education, training and retirement system; the Company has also set up a Human Resource Review Committee to collect employee grievances; and the Company holds labor-management meetings from time to time, so as to ensure harmonious labor-management relations by reaching a consensus on major labor-management issues.</li> <li>(2) Investor Relations: The Company convenes annual shareholders' meetings in accordance with the Company Act and related laws and regulations to provide shareholders with adequate opportunities for enquiries and proposals, and has established a system of spokesperson and acting spokesperson to enable shareholders to contact and to address shareholders' proposals. In order to enhance the transparency and symmetry of information disclosure, the Company not only discloses the Company's financial, business, and corporate governance information on the Market Observation Post</li> </ol> | No major difference.                                                                                                                                                                                                                                     |

|                 |         | Deviations from "the Corporate |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                       |
|-----------------|---------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Evaluation Item | Y<br>es | N<br>o                         | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Governance Best-Practice Principles<br>for TWSE/TPEx Listed Companies"<br>and Reasons |
|                 | al      |                                | System and the Company's website in accordance with the relevant regulations, but also responds to shareholders' enquiries and suggestions by organizing corporate briefing sessions and investor relations service mailboxes.  (3) Supplier Relations: The Company's suppliers, customers and financial institutions are all subject to the Company's operating rules and regulations, and contracts are executed accordingly in order to protect the legal rights and interests of both parties, while maintaining good interactions based on the principles of honesty, cooperation and mutual benefits.  (4) Rights of Stakeholders: The Company has set up a special section for stakeholders on its website and has set up dedicated communication channels for each of them based on their respective profiles.  (5) Directors' and Supervisors' Continuing Education: All the Directors of the Company possess relevant professional knowledge and industrial background, and are required by law to pursue continuing education in relevant professional courses.  (6) Implementation of Risk Management Policies and Risk Measurement Standards: The Company has established various internal management procedures in accordance with the law, and conducts risk management and evaluation in accordance with these procedures.  (7) Implementation of Customer Policies: The Company strictly abides by the contracts signed with customers and related regulations to ensure customer rights and interests and to provide good service quality.  (8) Liability Insurance for Directors: The Company has purchased liability insurance for its Directors and key Managers. |                                                                                       |

<sup>9.</sup> Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for items not yet improved: At present, the key points of scoring for the overall improvement of corporate governance evaluation are being strengthened.

### Note 1: CPA Independence and Suitability Assessment Form

| Item                                                                                                                                                                                                           | Results | Compliance with Independence |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------------------------|
| 1. The CPA has no direct or material indirect financial interest in the Company.                                                                                                                               | Yes     | Yes                          |
| 2. The CPA has not engaged in any financing or guarantee practices with the Company or the directors of the Company.                                                                                           | Yes     | Yes                          |
| 3. The CPA does not have a close business relationship with the Company and has no potential employment relationship with the Company.                                                                         | Yes     | Yes                          |
| 4. The CPA and the members of its audit team are not currently serving or have not served in the last two years as a director, manager, or in a position of significant influence on the audit of the Company. | Yes     | Yes                          |
| 5. The CPA did not provide the Company with non-audit service items that could have directly affected the audit.                                                                                               | Yes     | Yes                          |
| 6. The CPA has not brokered any stock or other securities issued by the Company.                                                                                                                               | Yes     | Yes                          |
| 7. The CPA has not acted as an defender of the Company or coordinated conflicts with other third parties on behalf of the Company.                                                                             | Yes     | Yes                          |
| 8. The CPA is not related to any of the Company's directors, managers, or other individuals with significant influence on the audit.                                                                           | Yes     | Yes                          |
| 9. The CPA has not received any gift of significant value from the Company or any of its directors or managers.                                                                                                | Yes     | Yes                          |
| 10. The CPA has not provided audit services to the Company for seven consecutive years.                                                                                                                        | Yes     | Yes                          |
| 11. Has the CPA complied with the Norm of Professional Ethics for Certified Public Accountant No. 10 on independence, and has the Company obtained the "Statement of Independence" issued by the CPA?          | Yes     | Yes                          |

| Item                                                                                                                                                  | Result<br>s | Compliance with Suitability |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------------------|
| 1. Do the CPA and senior audit staff possess adequate audit experience to perform the audit?                                                          | Yes         | Yes                         |
| 2. Do the CPA and senior audit staff receive adequate education and training each year to continue to acquire professional knowledge and skills?      | Yes         | Yes                         |
| 3. Does the CPA firm maintain sufficient human resources with high level of proficiency?                                                              | Yes         | Yes                         |
| 4. Does the CPA firm have enough professional staff in supporting the audit team?                                                                     | Yes         | Yes                         |
| 5. Is the workload assigned to the CPA reasonable?                                                                                                    | Yes         | Yes                         |
| 6. Have the team members invested reasonable amount of time in each stage of the audit?                                                               | Yes         | Yes                         |
| 7. Has the quality control review CPA invested sufficient hours to perform the review of the audits?                                                  | Yes         | Yes                         |
| 8. Does the CPA firm have adequate quality control manpower to support the audit team?                                                                | Yes         | Yes                         |
| 9. Does the percentage of non-audit fees received by the CPA firm not affect its independence?                                                        | Yes         | Yes                         |
| 10. Does the provision of certified financial statements and audit services by the accounting firm not affect its independence?                       | Yes         | Yes                         |
| 11. In case of deficiencies in external audits and penalties, does the CPA firm's quality control comply with the relevant laws and standards?        | Yes         | Yes                         |
| 12. In response to the competent authority's letter for improvement, does the CPA firm's quality control comply with the relevant laws and standards? | Yes         | Yes                         |
| 13. Has the firm adopted or planned any initiatives or plans to improve audit quality in the past three years?                                        | Yes         | Yes                         |

Assessment results: All of them are in compliance with the Company's independence and suitability standards.

- (4) If the Company has a Remuneration Committee, please disclose its composition, duties and operation:
  - 1. Remuneration Committee Member Information

April 11, 2024

|                                       |                         |                                                                                                                                                                                                                                                                                                                                                                                                       | A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | orii 11, 2024                                                                           |
|---------------------------------------|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Identity                              | Criteria<br>Name        | Professional qualification and experience                                                                                                                                                                                                                                                                                                                                                             | Independence Criteria                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number of concurrent membershi ps in remunerati on committees of other listed companies |
| Independent<br>Director<br>(Convenor) | Chen,<br>Hsin-<br>Liang | 'Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business. 'An attorney or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business. 'No violation to the subparagraphs of Article 30 of the Company Act. | The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.  The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.  The Independent Director him/herself, his/her spouse, and his/her relative within second degree of kinship is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.  No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years. |                                                                                         |
| Independent<br>Director               | Yang,<br>Teng-<br>Yu    | 'Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business. 'No violation to the subparagraphs of Article 30 of the Company Act.                                                                                                                                                                                                        | The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.  The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.  The Independent Director him/herself, his/her spouse, and his/her relative within second degree of kinship is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.  No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years. |                                                                                         |

| Identity                | Criteria<br>Name          | Professional qualification and experience                                                                                                                                                                                                                                                                                                                                                                                | Independence Criteria                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number of concurrent membershi ps in remunerati on committees of other listed companies |
|-------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Independent<br>Director | Huang,<br>Hsiang-<br>Ying | 'Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business. 'A certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business. 'No violation to the subparagraphs of Article 30 of the Company Act. | The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.  The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.  The Independent Director him/herself, his/her spouse, and his/her relative within second degree of kinship is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.  No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years. | 5                                                                                       |
| Independent<br>Director | Lin,<br>Chang-<br>Chih    | 'Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business. 'No violation to the subparagraphs of Article 30 of the Company Act.                                                                                                                                                                                                                           | The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., are not directors, supervisors, or employees of the Company or other affiliated companies.  The Independent Director himself/herself, his/her spouse, his/her relatives within the second degree of kinship, etc., do not hold any shares of the Company.  The Independent Director him/herself, his/her spouse, and his/her relative within second degree of kinship is not a Director, Supervisor, or Employee of a company that has a specific relationship with the Company.  No remuneration was received for business, legal, financial, or accounting services provided by the Company or other affiliates in the last two years. | _                                                                                       |

#### 2. Remuneration Committee Responsibilities:

The Remuneration Committee shall perform the following duties in accordance with Duty of Care and shall submit its proposals to the Board of Directors for discussion:

- (1) Regularly reviews the Rules Governing the Organization of the Remuneration Committee and proposes amendments.
- (2) Establishes and regularly reviews the Company's policies, systems, standards and structures for annual and long-term performance goals and remuneration of the Company's directors and managers.

- (3) Regularly evaluates the accomplishment of the Company's performance goals for directors and managers, and determines the content and amount of their individual remuneration packages.
- 3.Information on the Remuneration Committee Operation Status
  - (1) The Company's Remuneration Committee is composed of three people.

(2) Current member's tenure: From August 27, 2021 to August 26, 2024. Two meetings were held in 2023 for the Remuneration Committee, with the following attendance:

| Title    | Name                      | Actual<br>no. of<br>meetings<br>attended | No. of meetings with entrusted attendance | Actual attendance rate (%) | Remarks                       |
|----------|---------------------------|------------------------------------------|-------------------------------------------|----------------------------|-------------------------------|
| Convenor | Chen,<br>Hsin-Liang       | 2                                        | 0                                         | 100.00%                    | Re-elected on August 27, 2021 |
| Member   | Huang,<br>Hsiang-<br>Ying | 2                                        | 0                                         | 100.00%                    | Re-elected on August 27, 2021 |
| Member   | Yang,<br>Teng-Yu          | 2                                        | 0                                         | 100.00%                    | Re-elected on August 27, 2021 |

#### Remuneration Committee Operation Status

| Remuneration<br>Committee<br>Date/Session | Motion Content                                                                      | Resolution                      | The Company's Handling of the Remuneration Committee's Opinions                                |
|-------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------|
| August 03,<br>2023/3-7                    | Motion 1: Manager's salary adjustment for 2023.                                     | Approved by all members present | Submitted to the<br>Board of Directors<br>Meeting and<br>approved by all<br>Directors present. |
| December 21, 2023/3-8                     | Motion 1: Amendments to the Company's "Rules Governing the Management of Salaries". | Approved by all members present | Submitted to the<br>Board of Directors<br>Meeting and<br>approved by all<br>Directors present. |

#### Other matters to be recorded:

- 1. In the event that the Board of Directors rejects or amends the proposal of the Remuneration Committee, the date, session, motion content of the Board of Directors' meeting, the Board's resolution, and the Company's handling of the Remuneration Committee's opinion (in the event that the remuneration approved by the Board is superior to that of the Remuneration Committee's proposal, the status of and reasons for the discrepancy should be stated): Nil.
- 2. If there were any objections or reservations to the resolutions made by the members of the Remuneration Committee, and if such objections or reservations are recorded or stated in writing, the date, session, motion contents, opinions of all members, and the handling of the opinions of the members of the Remuneration Committee should be stated: Nil.

(5) Sustainable Development Implementation Status, Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies:

| Listed Companies.                                                                                                                                                                                                                                                             |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from the Sustainable                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                                                                                                                                                                                                                 | Yes | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
| 1. Has the Company set up a sustainable development governance structure and a dedicated (or concurrent) sustainable development promotion unit which is authorized by the Board of Directors to be managed by highlevel management and supervised by the Board of Directors? | V   |    | The Company has established a Sustainable Development Committee in March 2023, with the General Manager's Office as the initiator and incorporating a number of intermediate and senior executives in different fields from each unit to jointly review the Company's core operational capabilities, identify sustainability issues that are relevant to the Company's operations and stakeholders through meetings, and establish promotional programs for internal employees and external stakeholders, and track the implementation results on a monthly basis to ensure that the sustainable development strategies are fully implemented into the Company's daily operations. In addition, the status of sustainability development will be reported at the annual Board of Directors' meeting, and the 2023 implementation status is scheduled to be presented to the Board of Directors on March 12, 2024. |                                                                                       |
| 2. Has the Company conducted risk evaluation for the environmental, social and corporate governance issues related to the operations of the Company based on the materiality principle, and formulated related risk management policies or strategies?                        | V   |    | This disclosure covers sustainability performance at key locations for the period from January 2023 to December 2023, with Dajia plant site as the risk assessment boundary.  Material IssueRisk Assessment ItenDescription  Environment Environmental I. The Company has implemented a process safety management and a systematic management cycle to effectively reduce the emission of pollutants and the impact on the environment.  2. The Company's primary markets are the EU and the U.S., which require products to comply with environmental regulations. Therefore, the Company has acquired the                                                                                                                                                                                                                                                                                                       |                                                                                       |

|               |     |    |        | Implementation                       | Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Deviations from the Sustainable                                                       |
|---------------|-----|----|--------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item | Yes | No |        | Sui                                  | mmary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
|               |     |    | Social | Environmental Safety  Product Safety | "ISO 14001: 2015 Environmental Management System Certification" and is regularly certified as such.  3. The Company has completed the 2022 carbon inventory of the Dajia plant in 2023 and obtained the ISO 14046-1: 2018 GHG Verification Opinion Statement. Based on the results of the carbon inventory, the Company will continue to implement carbon reduction measures.  The Company complies with the relevant labor acts and labor rights standards, prohibits child labor and forced labor, employs middle-aged and senior employees, manages working hours and salaries in accordance with the relevant regulations, and emphasizes employment equality.  Regular fire drills and occupational safety training are held annually to develop staff's emergency response and self- safety management capabilities.  1. The Company's products comply with government regulations and laws. Meanwhile, in order to ensure the quality of customer service, we have set up a customer |                                                                                       |

|               |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Deviations from the Sustainable                                                                  |
|---------------|-----|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Promoted Item | Yes | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons            |
|               |     |    | customers, and regular conduct customer serving satisfaction surveys annual for the purpose strengthening the cooperation relationship with consistency.  2. In order to transfer product liability risk, miniming property loss and enhand product safety, the Compans has taken out a product liability insurance policy of US million with insurance certificate National Surveys and Compliance with Laws  Corporate Social Economy Safety and Compliance with Laws  1. The Company complies with the regulations of the competent authorities carrying out the annual authorities. | ur ly ce ly of eve ur ct ze ce hy ty ty sa ce lo.  th ne in lit lit lit ne ce he al hy hy hod th |

|                                                                                                                                                     |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Deviations from the Sustainable                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                                                                                       | Yes | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
|                                                                                                                                                     |     |    | rights and interests.  3. Established Sustainable Development Best Practice Principles to incorporate sustainable development into the company's business activities and development direction.  Strengthening oDirectors are covered by directors' Directors' Functions liability insurance which protects them against lawsuits or claims.  Communication witl Established a variety of Stakeholders communication channels for active communication to minimize conflicts and misunderstandings. An investor mailbox has been set up, with a spokesperson responsible for handling and responding to the emails. |                                                                                       |
| 3. Environmental issues (1) Has the Company established an appropriate environmental management system according to its industrial characteristics? | V   |    | <ol> <li>The Company has appointed dedicated staff for labor safety and environmental quality affairs, and conducts labor safety inspections on a quarterly basis.</li> <li>The Company has established an environmental protection and quality management system in accordance with ISO14001 and ISO9001 and has been certified with ISO14001 and ISO9001 quality certificates, with a validity period from December 12, 2023 to December 11, 2026.</li> </ol>                                                                                                                                                     | No major difference  No major difference                                              |
| (2) Is the Company committed to improving the efficiency in the use of resources, and the use of recycled materials with low                        | V   |    | (2) The Company is committed to improving the efficiency of resource utilization: for example, encouraging employees to carry environmentally friendly chopsticks, using environmentally friendly utensils and issuing                                                                                                                                                                                                                                                                                                                                                                                              | ,                                                                                     |

|                                                                                                                                                                                                                                                  |     |    | Im                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from the Sustainable                                                              |                                                                                             |                                                                                 |                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                                                                                                                                                                                    | Yes | No |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Summ                                                                                         |                                                                                             |                                                                                 | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
| environmental impact?                                                                                                                                                                                                                            |     |    | environmentally frie<br>machines when idle,<br>promoting resource r                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | setting up recycle                                                                           | bins for resource                                                                           |                                                                                 | No major difference                                                                   |
| (3) Is the Company aware of the impact of climate change on its operations, and has it implemented greenhouse gas checking and developed a strategy for reduction of energy consumption and carbon emission as well as greenhouse gas reduction? | V   |    | (3) The preliminary focused on the risks a energy-saving and conatural disasters, an configuration of colliability insurance, an and maintaining them                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | nd opportunities a<br>carbon reduction<br>d the countermentant power sup<br>d replacing mach | product develo<br>product develo<br>casures include<br>oply systems, ta<br>inery and equipm | able power supply,<br>pment costs, and<br>strengthening the<br>king out product | No major difference                                                                   |
| (4) Has the Company calculated the greenhouse gas (GHG) emissions, water consumption and total weight of waste for the past two years, and formulated strategies for GHG emission reduction, water conservation and management                   | V   |    | (4) The Company coopinion statement from Center. The Company weight of waste and of GHG Emissions:  The Company's inversion GHG emissions for GHG emissions for GHG emissions for GHG emissions for the Company's inversion GHG emissions for GHG emissions for the Company's inversion GHG emissions for the Company's inversion GHG emissions for the Company's inversion GHG emissions for the Company cooping the Coop | om the Precision ny regularly track establishes reduct ntory covers the I                    |                                                                                             |                                                                                 |                                                                                       |
| of other forms of waste?                                                                                                                                                                                                                         |     |    | Emissions (tons)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 2021                                                                                         | 2022                                                                                        | 2023<br>(self-<br>calculated)                                                   |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    | Scope 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 179.79                                                                                       | 126.70                                                                                      | 124.31                                                                          |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    | Scope 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 808.29                                                                                       | 801.60                                                                                      | 736.66                                                                          |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    | Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 988.08                                                                                       | 928.3                                                                                       | 860.97                                                                          |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    | Reduction Strategies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                              |                                                                                             |                                                                                 |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                              |                                                                                             | e the use of air-                                                               |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                              |                                                                                             | n in the plant area.  nergy and reduces                                         |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    | carbon em                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                              | willen saves el                                                                             | icigy and reduces                                                               |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    | 3. Reduce the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | e frequency of sta                                                                           |                                                                                             | tings by switching                                                              |                                                                                       |
|                                                                                                                                                                                                                                                  |     |    | to online                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | meetings or call                                                                             | s, and reduce t                                                                             | ne use of official                                                              |                                                                                       |

|                                                                               |     |    |                                                                                                                                                                                      | Deviations from the Sustainable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                               |                                                                                       |
|-------------------------------------------------------------------------------|-----|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                 | Yes | No |                                                                                                                                                                                      | •                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Summary                                                                                                                                                                                                                                                                                                                       | 7                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                               | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
|                                                                               |     |    | 4. A set Water Consu Emissions  Degree Reduction Str 1. Pr pij wa pre 2. A the Non-Hazardo  Tons The Compan production w recycling an outsourced tr Reduction Str 1. E c c 2. E 3. A | 3,084 rategies and Nomote water coelines and enter consumpoduction. reduction goals current year ous Waste Star 2022  18.45 y's wastes may aster, and the dreuse, direction and distributions. reduction goals current year ous Waste Star 2022  18.45 y's wastes may aster, and the dreuse, direction and distributions. In the consumption of the company of | nt year's machics (Dajia Plan 2023  2,954  Methods: conservation arquipment, and otion compared straight of production is machining extistics (Dajia P 2023  100.69  ainly consist of the treatment of the ethods: is posal. Methods: if to carry their is environment of various politics of various politics (Dajia P 2023) | mong employe there was a ded to 2022 m*5% (degrees enters. lant Area)  Difference  82.25  f domestic gas the wastes g (incineration arown environtally friendly mentally friendly mentally friendly duction (in me | Increase/decre ase (4.4%) es and replace old 4.4% reduction in due to reduced s) has been set for  Increase/decre ase 445.91 rbage and general enerated includes and burial), and mentally friendly to utensils in the adly water cups. The recycling and tric tons) has been |                                                                                       |
| Social issues     (1) Has the Company formulated relevant management policies | V   |    |                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                    | nal human rights                                                                                                                                                                                                                                                              | No major difference                                                                   |

|                                                                                                                                                                                                                                             |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Deviations from the Sustainable                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                                                                                                                                                                               | Yes | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
| and procedures in accordance with relevant laws and regulations and international human rights conventions?                                                                                                                                 |     |    | prohibits the employment of child labor and forced labor, and the management of working hours and salaries are in accordance with the relevant regulations. The Company values equality in employment and does not discriminate in employment on the basis of race, class, language, thinking, religion, political party affiliation, nationality, place of origin, gender, sexual orientation, age, marriage, looks, physical or mental disabilities, past membership in associations, or other legal protections, and establishes labor-management meetings to allow for smooth communication between employers and employees and to maintain harmonious labor relations.  The Company also maintains a safe working environment, conducts regular safety inspections of company buildings and fire safety lectures in accordance with occupational safety and health laws and regulations, and conducts employee health check-ups in accordance with occupational safety and health related laws and regulations.  Furthermore, the Company has established "The Recruitment and Appointment of Employees", "Rules governing the Management of Human Resources", "Preventive Measures for Sexual Harassment, Handling of Grievances and Disciplinary Actions", etc. to safeguard the rights and interests of employees and to achieve the protection of employees' health and safety. |                                                                                       |
| (2) Does the Company formulate and implement reasonable policies of staff welfare (including compensation, vacation and other welfare), and reflect the operating performance or achievement in the compensation of the employees properly? | V   |    | (2) Employee welfare measures and remuneration policies are implemented in accordance with the Company's "Rules governing the Management of Human Resources," "Employee Welfare and Subsidies," and "Performance Appraisal.  Employee Welfare: The company has set up an Employee Welfare Committee to plan and provide a variety of quality benefits for employees, such as: employee travel subsidies, birthday coupons, wedding allowances, maternity allowances, funeral allowances, hospitalization condolences, and annual festival events. The company provides group insurance, free medical check-ups, meal subsidies and other benefits for employees. In terms of the vacation system, the company provides two days off per week and special leave in accordance with the Labor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | No major difference                                                                   |

|                                                                                                                       |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Deviations from the Sustainable                                                       |
|-----------------------------------------------------------------------------------------------------------------------|-----|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                                                         | Yes | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
| (3) Does the Company provide a                                                                                        | V   |    | Standards Act. For employees who need a longer period of leave due to childbirth, major injuries, illnesses, or significant reasons, they are allowed to apply for a leave without pay to accommodate both personal and family needs.  The Company values the rights and welfare of its employees. In terms of hardware facilities, the Company provides free parking lots, nursing rooms, and employee canteens to meet the daily needs of its employees. In terms of physical and mental health, we have arranged annual health check-ups and physician on-site services for our employees.  Employee Remuneration Policy: The Company conducts regular monthly performance appraisals for its employees to reflect their year-end compensation. In order to realize profit sharing, mutual prosperity and coexistence between employees and employers, and to enhance employee loyalty and overall operating performance, we have established an Employee Welfare Trust Committee since October 2022 to provide eligible employees with stock trust-related welfare measures.                                             | No major difference                                                                   |
| safe and healthy working environment for employees and regularly carry out safety and health education for employees? | v   |    | the Company's commitment as well as the basic protection for its employees. Therefore, it is the Company's primary responsibility to establish a good working environment and to protect the safety, physical and mental health of the employees in the workplace. Employees are given relevant training courses and are trained to evacuate and respond to emergencies through practical drills and simulations, so that they can be well prepared and have sufficient knowledge to minimize the risk of injury. In addition, we have set up an Occupational Safety and Health Committee in accordance with the Occupational Safety and Health Act, and have been continuously certified to ISO14001: 2015, the international standard for environmental management.  The Company regularly carries out inspections of the operating environment every six months in accordance with the controls of the working environment or operational hazards, and provides employees with health check-ups in accordance with the laws and regulations, carries out tracking and management of those employees with unusual results, | INO major uniference                                                                  |

|                                                                                                                                                                                                                                                                                                   |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Deviations from the Sustainable                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                                                                                                                                                                                                                                     | Yes | No | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
|                                                                                                                                                                                                                                                                                                   |     |    | and provides them with the necessary individual health counseling and guidance, so as to enable them to be aware of their own health conditions. We also organize sports events to encourage employees to participate and develop good exercise habits.                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                       |
| (4) Has the Company developed an effective training program for employees?                                                                                                                                                                                                                        | V   |    | (4) The Company plans comprehensive functional training for supervisors and employees at all levels in accordance with their respective duties, including freshman training, professional training, and supervisor training, etc., and assists employees to continue to learn and grow through a variety of learning methods. In addition, based on the training plans or needs proposed by the supervisors, the Company arranges for relevant personnel to participate in professional training courses externally and develops a cross-border employee exchange program in order to cultivate the key professional capabilities of the employees. | No major difference                                                                   |
| (5) Did the Company follow relevant laws and international codes regarding product/service, customer health, safety, customer privacy, marketing and labeling, as well as formulate related policies to protect the rights and interests of consumers and develop a complaint-handling procedure? | V   |    | (5) The Company has set up a product After-sales Service Department to provide after-sales service for the products under warranty, while providing a communication mailbox channel on the Company's website and setting up branches to facilitate close communication. At the same time, the Company has also taken out product liability insurance to protect the rights and interests of the users of our products.                                                                                                                                                                                                                              | No major difference                                                                   |
| (6) Did the Company formulate supplier management policies and require suppliers to follow relevant standards on environmental protection, occupational safety and health, or labor rights, as well as specify the implementation process?                                                        | V   |    | (6) The Company has established the "Management Procedures for Procurement" and the "Management Procedures for Supplier Evaluation" in accordance with ISO14001 and other laws and regulations to manage its suppliers, and performs annual supplier evaluation on a regular basis, strictly requiring suppliers to comply with safety and health regulations and labor-related laws and regulations, in addition to quality control, and if they are found to be in violations, they will be required to make improvements within a certain period of time.                                                                                        | No major difference                                                                   |

|                                                                                                                                                                                                                                                                                                    |     |    | Implementation Status                                                                                                                                                                                                         | Deviations from the Sustainable                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Promoted Item                                                                                                                                                                                                                                                                                      | Yes | No | Summary                                                                                                                                                                                                                       | Development Best Practice Principles<br>for TWSE/TPEx Listed Companies<br>and Reasons |
| 5. Did the Company follow internationally recognized guidelines in preparing and publishing reports; i.e., corporate social responsibility report to disclose non-financial information about the Company? Did the Company hire a third-party verification or assurance provider for such reports? |     | V  | No sustainability report has yet been prepared, but the status of implementation of the relevant sustainability development has been disclosed in the annual report of the shareholders' meeting or on the Company's website. | This will be prepared in accordance with the law or the actual needs.                 |

- 6. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe the difference between its operation and the prescribed code: The Company has established its own Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies". All operations are carried out in accordance with the principle of sustainable development.
- 7. Other important information to help understand the implementation of corporate social responsibility programs:
  - (1) Environmental Protection: Introduce the concept of green design in our products, practicing water saving, energy saving, carbon reduction, resource recycling and reuse, etc. to reduce the impact on the environment, and to reinforce such awareness to our employees.
  - (2) Social Contributions: Set up charity groups, organize activities from time to time or with festivals and support smaller scale agricultural products, and adopt grass and green areas in the nearby community.
  - (3) Social Welfare:
    - 1. Promote public charity activities in the nearby community and provide meal service for solitary elderly, NT\$ 50,000.
    - 2. Collaborate with the blood donation center to organize annual voluntary staff blood donation campaign.
    - 3. Donation to the Turkey earthquake with an amount of NT\$50,000 in 2023.
    - 4. Paid volunteer leave to encourage staff to participate in public charity activities, with roughly 30% participation rate in 2023.
    - 5. Quarterly supply donations.
    - 6. Participate in community care activities.
  - (4) Quality Education:
    - 1. School Visit, Wanxing Elementary School visited the plant in 2023 and organized a practical machine assembly camp.
    - 2. Participated in the academic seminar of Hsiuping University of Science and Technology and sponsored the thesis on corporate sustainability at National Formosa University, with a total sponsorship of NT\$60,000 in 2023.

The Company continues to fulfill its corporate social responsibility and participate in the implementation of social welfare.

(6) for TWSE/GTSM Listed Companies and Reasons:

| Tot 1 w SE/G1SW Elsted Collipa                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |     | ina ite | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Differences with Ethical Corporate                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Yes | No      | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management Best Practice Principles<br>for TWSE/GTSM Listed Companies<br>and reasons |
| Setting business Ethical Corporate Management policies and programs     Ones the Company develop business integrity policies to be passed by the Board, and express its commitment to the policies and practices of Ethical Corporate Management in its regulations and in the external documents, and do the Board of Directors and the management actively implement the business policies?                                                                                                                        | V   |         | (1) On November 9, 2016, the Board of Directors resolved to establish the Company's "Ethical Management Best Practice Principles", "Code of Ethical Conduct for Directors and Managers", "Ethical Management Procedures and Code of Conduct" and other internal control measures, which stated the Company's policy and practice of ethical management as well as the commitment of the Board of Directors and the management in actively implementing this management policy, and that the Board members and the management are executing the business in accordance with the principle of ethical management. In addition, they are also disclosed on the Company's website to enhance awareness of the Company's philosophy of ethical management. |                                                                                      |
| (2) Has the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly adopted precautionary measures in respect of business activities with a high risk of dishonesty and at least include preventive measure in Article 7(2) of the Ethical Corporate Management Best Practice Principles for | V   |         | (2) The Company has established the "Ethical Management Best Practice Principles" and the "Ethical Management Procedures and Code of Conduct" to provide clear guidelines on prohibited behaviors, and has published the "Code of Conduct on Employee Integrity" on the Company's internal website.                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (2) No major difference.                                                             |

|                                                                                                                                                                                                                                                                                                                 |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Differences with Ethical Corporate                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Evaluation Item                                                                                                                                                                                                                                                                                                 | Yes | No | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management Best Practice Principles<br>for TWSE/GTSM Listed Companies<br>and reasons |
| TWSE/TPEx Listed Companies?                                                                                                                                                                                                                                                                                     |     |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      |
| (3) Has the Company set up a program for the prevention of dishonesty as well as the procedures, conduct guidelines and a disciplinary and appeals system in various programs and implemented them?                                                                                                             | V   |    | (3) The Company has established an effective internal control system to prevent the occurrence of unethical behavior, and reviews the internal control system from time to time to ensure its design and effective implementation. The Company has also set up a grievance channel, which is available in the stakeholders' section of the official website, and has implemented it.                                                                                                | (3) No major difference.                                                             |
| Implementation of Ethical Corporate Management     Ones the Company assess the integrity record of its business partner, and stipulate the terms of conduct on integrity in the contract with the business partner?                                                                                             | V   |    | (1) The Company has always been conducting its business activities in a fair and transparent manner. Prior to entering into business transactions, the Company also considers the legitimacy of the counter-parties and whether or not there is any unethical behavior, despite the fact that the Company does not stipulate the terms of ethical behavior in the business contracts, the Company still proclaims that no gifts will be offered to the counter-parties in any form. | (1) No major difference.                                                             |
| (2) Has the Company set up a dedicated (or concurrent) corporate integrity promotion unit under the Board of Directors which report to the Board of Directors on a regular basis (at least once a year) on supervising the implementation of the ethical corporate management policies and prevention programs? | V   |    | (2) The Company's Management Office serves as a dedicated (part-time) unit responsible for the implementation and execution of corporate ethical management, and reports regularly to the Board of Directors on the implementation results. The status on the fulfillment of ethical management was reported to the Board of Directors on March 12, 2024.                                                                                                                           | (2) No major difference.                                                             |
| (3) Has the Company formulated                                                                                                                                                                                                                                                                                  | V   |    | (3) In the event of a conflict of interest, employees of the Company may                                                                                                                                                                                                                                                                                                                                                                                                            | (3) No major difference.                                                             |

|                                                                                                                                                                                                                                                                                                                                                                                                                               |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                      | Differences with Ethical Corporate                                                   |  |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--|--|
| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                               | Yes | No | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                      | Management Best Practice Principles<br>for TWSE/GTSM Listed Companies<br>and reasons |  |  |
| policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?                                                                                                                                                                                                                                                                                                                 |     |    | report it directly to their direct supervisors or internal auditors through<br>the employee suggestion box. The Company's senior managers and<br>directors shall recuse themselves from the discussion and voting on<br>the Board of Directors' meetings when they have an interest in the<br>Board of Directors' motions.                                                                                 |                                                                                      |  |  |
| (4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, which is checked by the internal auditing unit based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examine accordingly the compliance with the prevention programs or engage audited by external auditors? | V   |    | (4) The Company has established an effective accounting system and internal control system, which are reviewed and amended from time to time in accordance with changes in laws and regulations and practical needs, and are regularly reviewed by internal auditors to ensure that the system is designed and implemented in a continuous and effective manner.                                           | (4) No major difference.                                                             |  |  |
| (5) Does the Company hold regular internal and external training on business integrity?                                                                                                                                                                                                                                                                                                                                       | V   |    | (5) The Company has integrated ethical management into its corporate culture by organizing internal and external education and training (including courses on compliance with ethical management laws and regulations, environmental safety training, and accounting systems and internal control) related to ethical management issues, with a total of 119 person-times and a total of 782 person-hours. | (5) No major difference.                                                             |  |  |
| 3. Operation of the Company Reporting System  (1) Has the Company set up specific reporting and reward systems and a convenient reporting channel, and does the                                                                                                                                                                                                                                                               | V   |    | (1) If any employee of the Company is found to have violated the regulations related to ethical management, such violation may be reported directly to the direct supervisor of the department, the report mailbox on the Company's website, or to the internal auditor, and if                                                                                                                            | (1) No major difference.                                                             |  |  |

|                                                                                                                                                                                                                            |     |    | Implementation Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Differences with Ethical Corporate                                                   |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--|
| Evaluation Item                                                                                                                                                                                                            | Yes | No | Abstract Illustration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Management Best Practice Principles<br>for TWSE/GTSM Listed Companies<br>and reasons |  |
| Company assign appropriate personnel to investigate the person being reported?                                                                                                                                             |     |    | such violation is found to be true, disciplinary action will be taken in accordance with the Company's relevant reward and penalty system.                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                      |  |
| (2) Has the Company set up standard investigation procedures, follow-up measures to be adopted after investigations of cases reported are completed and a related confidentiality mechanism for the matter being reported? |     |    | (2) Should the Company identify or receive reports of unethical behavior involving the Company's personnel, and if it is verified that such violations of the relevant company management rules and regulations have occurred, the Company will immediately request the person in question to cease such behavior, take appropriate action, and if necessary, seek damages through legal proceedings in order to protect the Company's reputation and rights and interests, and will maintain confidentiality regarding the investigation process. |                                                                                      |  |
| (3) Does the Company take measures to protect the reporter from improper treatment?                                                                                                                                        |     |    | (3) When handling a case, the responsible unit must maintain confidentiality throughout the entire process and conduct the investigation through independent channels. Relevant investigation documents and files must also be kept in a safe place in order to protect the identity of the whistle-blower.                                                                                                                                                                                                                                        | (3) No major difference.                                                             |  |
| 4. Strengthening of Information Disclosure Does the Company disclose the contents of Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?                                  | V   |    | The Company has published its compliance with the Ethical Management Best Practice Principles on the Company's official website and the Market Observation Post System, and has set up a spokesperson to speak to the public in accordance with the regulations, so that shareholders, stakeholders, and the competent authorities can have a better understanding of the Company's situation.                                                                                                                                                     | No major difference.                                                                 |  |

<sup>5.</sup> If the Company has its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company has established the "Ethical Management Best Practice Principles" and the "Ethical Management Procedures and Code of Conduct", which clearly stipulate the requirements to be followed by the Company's staff and have no major differences from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies".

<sup>6.</sup> Other important information that will help to understand the operation of the Company's integrity:

<sup>(1)</sup> The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, the regulations related to TWSE/TPEx listings, and other laws and regulations related to business practices as the fundamental prerequisite for the implementation of ethical management.

|                 |     |    | Implementation Status | Differences with Ethical Corporate                                                   |  |
|-----------------|-----|----|-----------------------|--------------------------------------------------------------------------------------|--|
| Evaluation Item | Yes | No | Abstract Illustration | Management Best Practice Principles<br>for TWSE/GTSM Listed Companies<br>and reasons |  |

- (2) The Company's "Rules of Procedure of the Board of Directors' Meeting" stipulates that a director who has an interest in the motion presented at a meeting, whether by himself/herself or on behalf of an Institutional Director, shall explain the important contents of his/her interest at the board meeting and shall not participate in the discussion or voting on the motion if there is a risk of damaging the Company's interests, as well as recuse him/herself from the discussion or voting, and is not allowed to exercise his/her right to vote on behalf of other directors during the discussion or voting.
- (3) The Company has established the "Procedures for Prevention of Insider Trading", which stipulates that Directors, Managers and employees are prohibited from disclosing material internal information to others, from seeking or collecting material non-public internal information that is not related to their personal duties from those who have knowledge of the Company's material internal information, and from disclosing to others any material non-public internal information that is not related to their duties and that is not known to them through business activities.

- (7) For companies that have a corporate governance best practice and related regulations, they should disclose how the information can be accessed.
  - 1. The Company has established the following relevant rules and regulations in accordance with the requirements, which have been resolved and approved by the Board of Directors:
    - (1) Rules of Procedure for Shareholders' Meetings;
    - (2) Rules of Procedure of the Board of Directors' Meeting;
    - (3) Procedures for the Election of Directors;
    - (4) Rules Governing the Organization of the Audit Committee;
    - (5) Rules Governing the Organization of the Remuneration Committee;
    - (6) Code of Conduct for Directors and Managers;
    - (7) Ethical Management Best Practice Principles;
    - (8) Ethical Management Procedures and Code of Conduct;
    - (9) Corporate Governance Best Practice Principles;
    - (10) Policy and Procedures for Risk Management;
    - (11) Sustainable Development Best Practice Principles;
    - (12) Procedures related to the financial and business operations of the Group companies and related parties.
    - 2. Access Method:
    - (1) The Company's Website (https://www.quaser.com/tw/)
    - (2) Market Observation Post System (http://mops.twse.com.tw)
- (8) Other important information that facilitates the understanding of corporate governance operations may be disclosed together:
  - 1. For important financial/business information of the Company, it is published on the Market Observation Post System and the Company's official website in accordance with the relevant laws and regulations.
  - 2. The Company has established the "Procedures for Handling Internal Material Information" and the "Procedures for Prevention of Insider Trading" to serve as the basis for the Company's mechanism for handling and disclosure of material information, and reviews the relevant procedures from time to time to meet the requirements of the relevant laws and regulations and management needs. The relevant procedures are also disclosed on the Company's official website and the Market Observation Post System for employees to access at any time, and at the same time, the Company's insiders are notified from time to time concerning the attention to internal material information.
  - 3. The status on continuing education for the Company's directors in 2023 is as follows:

| Title | Name                  | Date                                                                                                                                                                           | Organizing Unit     | Course Name                                                                                                            | Hours |
|-------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------|-------|
|       |                       | March 16, 2023  National Federation of Certified Public Accountant Associations R. O. C.  National Federation Directors' Obligations and Liability for Financial Misstatements |                     | 3                                                                                                                      |       |
|       | Huang,<br>Hsiang-Ying | August 03.                                                                                                                                                                     |                     | Analysis of Money Laundering and Insider<br>Trading Cases                                                              | 3     |
|       |                       | Sentember                                                                                                                                                                      | of Certified Public | The Trend of International Standards on Auditing (ISA) Branching, Introduction to ISA for LCE and Challenges in Taiwan | 3     |

| Title                   | Name        | Date                | Organizing Unit                             | Course Name                                                                                                        | Hours |
|-------------------------|-------------|---------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------|
|                         |             |                     | Associations R. O. C.                       |                                                                                                                    |       |
| Independent             | Yang, Teng- | May 23,<br>2023     | TPEx                                        | TWSE/TPEx Listed Companies Sustainability Action Plan Seminar                                                      | 3     |
| Director                | Yu          | August 07, 2023     | TPEx                                        | TWSE/TPEx Listed Companies Insider<br>Equity Promotion Seminar                                                     | 3     |
| Independent<br>Director | Chen, Hsin- | January 04,<br>2023 | Taipei Bar<br>Association                   | Regulations for Directors and Supervisors of Public Listed Companies                                               | 3     |
| Director                | Liang       | April 27,<br>2023   | TPEx                                        | TWSE/TPEx Listed Companies Sustainability<br>Action Plan Seminar                                                   | 3     |
| Independent<br>Director | Lin, Chang- | August 23, 2023     | TPEx                                        | TWSE/TPEx Listed Companies Insider<br>Equity Promotion Seminar                                                     | 3     |
| Director                | Chih        | December 22, 2023   | Taiwan Project<br>Management<br>Association | TWSE/TPEx Listed Companies Directors and<br>Supervisors Training Course - Board of<br>Directors vs Management Team | 3     |

4. The status on continuing education for the Company's Corporate Governance Supervisor in 2023 is as follows:

| Title                      | Name          | Date                 | Organizing Unit                               | Course Name                                                                                                  | Hours |
|----------------------------|---------------|----------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------|
|                            |               | February 07,<br>2023 | Taiwan Corporate<br>Governance<br>Association | Information Security Governance Practices: Analysis on Key Management Issues                                 | 3     |
| Corporate                  | Lia Vy Haia   | February 14,<br>2023 | Taiwan Corporate<br>Governance<br>Association | The Fresh Look of Corporate<br>Governance under the ESG<br>Trend                                             | 3     |
| Governance L<br>Supervisor | zin, Yu-risin | June 30, 2023        | Taiwan Corporate<br>Governance<br>Association | Global Future Risks and<br>Sustainable Transformation<br>Opportunities                                       | 3     |
|                            |               | December 22, 2023    | Taiwan Investor<br>Relations Institute        | The New 2023 Corporate<br>Governance and Board of<br>Directors' Performance<br>Evaluation Practical Analysis | 3     |

- (9) Status of Implementation of Internal Control System:
  - 1. Statement of Internal Control System: Please refer to Attachment 1 of this Annual Report.
  - 2. If the audit of the internal control system is appointed to a CPA project, the CPA's audit report should be disclosed: Nil.
- (10) For recent years and up to the publication date of the annual report, if the Company and its insiders have been penalized in accordance with the law, or if the Company has imposed penalties on its insiders for violating the provisions of the internal control system, and the results of the penalties may have a significant impact on shareholders' equity or the price of the securities, the details of the penalties, the major deficiencies, and the status of improvement should be stated: Nil.

- (11) Important Resolutions of the Shareholders' Meeting and the Board of Directors for the most recent year and up to the date of publication of the Annual Report
  - 1. 2023 and as of the publication date of the Annual Report, important resolutions of the shareholders' meetings and their implementation status.

| Date                                                | Important Resolution                                                                                                                 | Implementation Status                                                                                                                 |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| June 15, 2023<br>(Regular Shareholders'<br>Meeting) | <ol> <li>The Company's 2022 Business Report and Financial<br/>Statements.</li> <li>The Company's 2022 Loss Appropriation.</li> </ol> | Approved.     There was no accumulated earnings available for distribution in 2022. Therefore, no dividend distribution was proposed. |

2. 2023 and as of the publication date of the Annual Report, important resolutions of the Board of Directors' meetings and their implementation status.

| Date Doard           | d of Directors' meetings and their implementation status.  Important Resolution |                                                                                                                                                                                                                                                          |  |  |  |  |
|----------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|
|                      | Motion 1                                                                        |                                                                                                                                                                                                                                                          |  |  |  |  |
| March 16, 2023       | Motion 1                                                                        | Explanation on certain of the Company's accounts receivable as of December 31, 2022 and January 31, 2023 that were overdue for more than three months and in significant amounts.                                                                        |  |  |  |  |
|                      | Motion 2                                                                        | The Company's intention to enter into short-term financing discussions with financial institutions to meet its business turnaround needs.                                                                                                                |  |  |  |  |
|                      | Motion 3                                                                        | Discussion on the Company's 2022 "Assessment of the Effectiveness of the Internal Control System" and "Statement of Internal Control System".                                                                                                            |  |  |  |  |
|                      | Motion 4                                                                        | Discussion on the Company's 2022 Business Report and self-concluded Financial Statements.                                                                                                                                                                |  |  |  |  |
|                      | Motion 5                                                                        | Amendments to the Company's "Rules Governing the Preparation of Financial Statements".                                                                                                                                                                   |  |  |  |  |
|                      | Motion 6                                                                        | Discussion on the Company's "Corporate Governance Best Practice Principles".                                                                                                                                                                             |  |  |  |  |
|                      | Motion 7                                                                        | Discussion on the Company's "General Principles for the Policy on Pre-Approval of Non-assurance Services".                                                                                                                                               |  |  |  |  |
|                      | Motion 8                                                                        | Discussion on the Company's "Policies and Procedures for Risk Management".                                                                                                                                                                               |  |  |  |  |
|                      | Motion 9                                                                        | Discussion on the Company's "Sustainable Development Best Practice Principles".                                                                                                                                                                          |  |  |  |  |
|                      | Motion<br>10                                                                    | The Company's intention to invest in Zhongshan, Guangdong Province for the purpose of expanding its market in Mainland China.                                                                                                                            |  |  |  |  |
|                      | Motion<br>11                                                                    | Discussion on the change of General Manager of Kunshan Quaser Machine Tools, Inc., a subsidiary in Mainland China.                                                                                                                                       |  |  |  |  |
| March 24, 2023       | Motion 1                                                                        | 2022 loss appropriation for the Company.                                                                                                                                                                                                                 |  |  |  |  |
| ,                    | Motion 2                                                                        | Call for discussion at the Company's 2023 Regular Shareholders' Meeting.                                                                                                                                                                                 |  |  |  |  |
|                      | Motion 3                                                                        | Handling discussion on matters related to proposals by shareholders who hold more than one percent of the shares.                                                                                                                                        |  |  |  |  |
| May 04, 2023         | Motion 1                                                                        | Discussion on the Company's 2023 first quarter Consolidated Financial Statements and Business Overview.                                                                                                                                                  |  |  |  |  |
|                      | Motion 2                                                                        | Explanation of certain of the Company's accounts receivable as of February 28, 2023 and March 31, 2023 that were overdue for more than three months and in significant amounts.                                                                          |  |  |  |  |
|                      | Motion 3                                                                        | Discussion on the Company's derivatives.                                                                                                                                                                                                                 |  |  |  |  |
|                      | Motion 4                                                                        | Amendments to the Company's "Payroll and Personnel Cycle."                                                                                                                                                                                               |  |  |  |  |
|                      | Motion 5                                                                        | Discussion on the Company's intention to advance the restructuring of its syndicated loans with financial institutions due to the increase in funding costs as a result of increasing interest rates and the need for mid- to long-term working capital. |  |  |  |  |
|                      | Motion 6                                                                        | Discussion on the Company's capital increase in its German subsidiary.                                                                                                                                                                                   |  |  |  |  |
| August 03,<br>2023   | Motion 1                                                                        | Discussion on the Company's 2023 second quarter Consolidated Financial Statements and Business Overview.                                                                                                                                                 |  |  |  |  |
| 2023                 | Motion 2                                                                        | Explanation on certain of the Company's accounts receivable as of April 30, May 31 and June 30, 2023, which were overdue for more than three months and in significant amounts.                                                                          |  |  |  |  |
|                      | Motion 3                                                                        | The Company's intention to enter into short-term financing discussions with financial institutions to meet its business turnaround needs.                                                                                                                |  |  |  |  |
|                      | Motion 4                                                                        | Discussion on the Company's derivatives.                                                                                                                                                                                                                 |  |  |  |  |
|                      | Motion 5                                                                        | Amendments to the Company's "Control on Sales and Collection Cycle".                                                                                                                                                                                     |  |  |  |  |
|                      | Motion 6                                                                        | The 2023 Managers' Salary Adjustment.                                                                                                                                                                                                                    |  |  |  |  |
| November 02,<br>2023 | Motion 1                                                                        | Discussion on the Company's 2023 third quarter Consolidated Financial Statements and Business Overview.                                                                                                                                                  |  |  |  |  |
| 2023                 | Motion 2                                                                        | Explanation on certain of the Company's accounts receivable as of July 31, August 31 and September 30, 2023, which were overdue for more than three months and in significant amounts.                                                                   |  |  |  |  |
|                      | Motion 3                                                                        | The Company's intention to enter into short-term financing discussions with financial institutions to meet its business turnaround needs.                                                                                                                |  |  |  |  |
|                      | Motion 4                                                                        | Amendments to the Company's "Operating Procedures Related to the Financial and Business Operations among Group Companies and Related Parties".                                                                                                           |  |  |  |  |
|                      | Motion 5                                                                        | The change of the Company's Accounting Supervisor.                                                                                                                                                                                                       |  |  |  |  |

| Date           |           | Important Resolution                                                                                                                                                                                |
|----------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | Motion 6  | Discussion on renewal of Directors and Key Officers Liability Insurance with Cathay Century Insurance Co., Ltd.                                                                                     |
| December 21,   | Motion 1  | Discussion of the Company's 2024 Audit Plan.                                                                                                                                                        |
| 2023           | Motion 2  | Explanation on certain of the Company's accounts receivable as of October 31 and November 30, 2023, which were overdue for more than three months and in significant amounts.                       |
|                | Motion 3  | Discussion on the Company's 2024 Budget.                                                                                                                                                            |
|                | Motion 4  | Discussion on the lifting of the restriction on the prohibition of non-competition of the Company's Managers.                                                                                       |
|                | Motion 5  | Amendments to the Company's "Rules Governing the Management of Salaries".                                                                                                                           |
| March 12, 2024 | Motion 1  | Discussion on the Company's 2023 "Assessment of the Effectiveness of the Internal Control System" and "Statement of Internal Control System".                                                       |
|                | Motion 2  | Discussion and recovery of the Company's derivative financial instruments.                                                                                                                          |
|                | Motion 3  | The Company's intention to enter into short-term financing discussions with financial institutions to meet its business turnaround needs.                                                           |
|                | Motion 4  | Explanation on certain of the Company's accounts receivable as of December 31, 2023 and January 31 and February 29, 2024, which were overdue for more than three months and in significant amounts. |
|                | Motion 5  | Discussion on the Company's 2023 Business Report and Financial Statements.                                                                                                                          |
|                | Motion 6  | Discussion and recovery of the Manager's 2023 year-end bonus payout.                                                                                                                                |
|                | Motion 7  | Discussion on the Company's 2023 appropriation of employee and Director remunerations.                                                                                                              |
|                | Motion 8  | Discussion on the Company's 2023 earnings distribution.                                                                                                                                             |
|                | Motion 9  | Discussion on the circumstances under which the Company regularly assesses the independence and suitability of the CPAs.                                                                            |
|                | Motion 10 | Discussion on the appointment of CPA and certification fees for 2024 and 2025.                                                                                                                      |
|                | Motion 11 | Discussion on the amendments to the Company's Articles of Incorporation.                                                                                                                            |
|                | Motion 12 | Discussion on the amendments to the Company's Rules of Procedure for Shareholders' Meetings.                                                                                                        |
|                | Motion 13 | Discussion on the election of the Company's Directors and Independent Directors.                                                                                                                    |
|                | Motion 14 | Discussion on the lifting of the restriction on the prohibition of non-competition of the Company's newly-elected Directors and their representatives                                               |
|                | Motion 15 | Discussion on convening the Company's 2024 Regular Shareholders' Meeting.                                                                                                                           |
|                | Motion 16 | Handling discussion on matters related to proposals by shareholders who hold more than one percent of the shares.                                                                                   |
|                | Motion 17 | Handling discussion on matters related to the nomination of candidates for Directors (including Independent Directors) by shareholders who hold more than one percent of the shares.                |
|                | Motion 18 | Discussion on the German subsidiary Quaser Europe Technical Center GmbH's investment in MWA Magdeburger Werkzeugmaschinen & Automation GmbH.                                                        |
|                | Motion 19 | Amendments to the Company's "Ethical Corporate Management Best Practice Principles".                                                                                                                |

(12) Directors or Supervisors who have expressed dissenting opinions on important resolutions approved by the Board of Directors for the most recent year and up to the date of publication of the annual report, which have been recorded or documented in writing, and their main contents:

| Board of Directors' Meeting<br>Date | Motion                   | Resolution Description                                 |
|-------------------------------------|--------------------------|--------------------------------------------------------|
| 10-11                               | The Company's intention  | The resolution was approved by the Audit               |
| March 16, 2023                      | to invest in Zhongshan,  | Committee. Upon the Chairman's consultation with       |
|                                     | Guangdong Province for   | all attending directors, except for the representative |
|                                     | the purpose of expanding | of Xude Investment Co., Ltd., Hsia, Ching-Hsuan,       |
|                                     | its market in Mainland   | who expressed objection to the resolution, the         |
|                                     | China.                   | resolution was approved without objection from the     |
|                                     |                          | rest of the directors.                                 |

(13) Summary of the resignations and terminations of the Company's Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, and Research and Development Supervisor for the most recent year and as of the date of the publication of the annual report.

| Title                    | Name         | Date of Appointment | Date of Termination | Resignation or Termination, and the Reason(s) |  |
|--------------------------|--------------|---------------------|---------------------|-----------------------------------------------|--|
| Accounting<br>Supervisor | Kao, Yu-Chun | October 01, 2021    | August 31, 2023     | Resigned                                      |  |

#### 5. Accountant Fees

(1) The amount of audit fees and non-audit fees paid to the CPAs, their firms, and their affiliates, and the content of non-audit services.

Unit: NT\$ thousand

|                            |                | 1                 |            |   | No                                                |                   |        |           |       |         |
|----------------------------|----------------|-------------------|------------|---|---------------------------------------------------|-------------------|--------|-----------|-------|---------|
| Name of<br>Accounting Firm | Name of<br>CPA | Audit Period      | Audit Fees |   | Industrial<br>and<br>commerc<br>ial<br>registrati | Human<br>Resource | Others | Sub-total | Total | Remarks |
|                            |                |                   |            |   | on                                                |                   |        |           |       |         |
| KPMG                       | Wu, Chun-      | January 01, 2023~ | 4,100      | _ | _                                                 | _                 | 247    | 247       | 4,347 | Note 1  |
|                            | Yuan           | December 31,      |            |   |                                                   |                   |        |           |       |         |
|                            | Chang,         | 2023              |            |   |                                                   |                   |        |           |       |         |
|                            | Tzu-Hsin       |                   |            |   |                                                   |                   |        |           |       |         |
| Deloitte                   | Kang, Yu-      | January 01, 2023~ | _          | _ | _                                                 | _                 | 325    | 325       | 325   | Note 2  |
|                            | Yeh            | December 31, 2023 |            |   |                                                   |                   |        |           |       |         |

Note 1: Refers to travel expenses paid in advance.

Note 2: Refers to the Transfer Pricing Report.

- (2) A change in accounting firm and a decrease in audit fees paid in the year of the change compared to the audit fees paid in the year prior to the change: Nil.
- (3) In the event that an audit fee decreases by 10% or more from the previous year, the Company shall disclose the amount, percentage, and reason for such decrease: Nil.
- 6. Change of Accountants: Nil.
- 7. The Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Firm of the Auditing CPA or Its Affiliated Businesses in the Past Year: Nil.
- 8. Particulars about Changes in Shareholding and Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of the Company's Shares in the Past Year and as of the Date of Publication of the Annual Report
- (1) Particulars about Changes in Shareholding and Equity Pledge of Directors, Managers and Major Shareholders

Unit: Share

|          |                       | 20           | 23            | Current Year | as of April 11 |  |
|----------|-----------------------|--------------|---------------|--------------|----------------|--|
| Title    | Name                  | Shareholding | Pledged share | Shareholding | Pledged share  |  |
| Title    | Ivallic               | Increase/    | Increase/     | Increase/    | Increase/      |  |
|          |                       | (Decrease)   | (Decrease)    | (Decrease)   | (Decrease)     |  |
| Chairman | Shieh, Raui-Mu        | (61,000)     | (2,600,000)   | (51,500)     | 0              |  |
|          | Xude Investment Co.,  |              | O             | 0            |                |  |
| Director | Ltd.                  | 0            |               |              | 0              |  |
| Director | Representative: Hsia, |              |               |              |                |  |
|          | Ching-Hsuan           |              |               |              |                |  |
|          | National Development  |              |               |              |                |  |
| Director | Fund, Executive Yuan  | 0            | 0             | 0            | 0              |  |
|          | Representative: Lai,  | 0            |               |              | \              |  |
|          | Yung-Hsiang           |              |               |              |                |  |

|                                                                      |                                                                      | 20                        | 23                         | Current Year as of April 11 |                            |  |
|----------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------|----------------------------|-----------------------------|----------------------------|--|
| Title                                                                | Name                                                                 | Shareholding<br>Increase/ | Pledged share<br>Increase/ |                             | Pledged share<br>Increase/ |  |
|                                                                      |                                                                      | (Decrease)                | (Decrease)                 | (Decrease)                  | (Decrease)                 |  |
| Director and<br>Major<br>Shareholder                                 | Yeh-Chiang<br>Technology Corp.<br>Representative:<br>Wang, Tai-Kuang | 0                         | 0                          | 0                           | 0                          |  |
| Director                                                             | Chen, Chun-Ya                                                        | 0                         | 0                          | 0                           | 0                          |  |
| Independent<br>Director                                              | Huang, Hsiang-Ying                                                   | 0                         | 0                          | 0                           | 0                          |  |
| Independent<br>Director                                              | Yang, Teng-Yu                                                        | 0                         | 0                          | 0                           | 0                          |  |
| Independent<br>Director                                              | Chen, Hsin-Liang                                                     | 0                         | 0                          | 0                           | 0                          |  |
| Independent<br>Director                                              | Lin, Chang-Chih                                                      | 0                         | 0                          | 0                           | 0                          |  |
| General<br>Manager                                                   | Hsieh, Tien-Hsin                                                     | 61,000                    | 0                          | 51,500                      | 0                          |  |
| Deputy General<br>Manager                                            | Chuang, Yung-Huang                                                   | 0                         | 0                          | 0                           | 0                          |  |
| Deputy General<br>Manager                                            | Huang, Kuo-Chin                                                      | 0                         | 0                          | 0                           | 0                          |  |
| Assistant Manager of R&D Department                                  | Hung, Ming-Hung                                                      | (5,000)                   | 0                          | (6,000)                     | 0                          |  |
| Assistant Manager of Business Department                             | Chen, Yun-Jen<br>(Note 1)                                            | 0                         | 0                          | 0                           | 0                          |  |
| Assistant Manager of Management Department and Accounting Supervisor | Lin, Yu-Hsin<br>(Note 2)                                             | 0                         | 0                          | 0                           | 0                          |  |
| Accounting<br>Supervisor                                             | Kao, Yu-Chun<br>(Note 3)                                             | (3,095)                   | 0                          | 0                           | 0                          |  |
| Audit Supervisor                                                     |                                                                      | 0                         | 0                          | 0                           | 0                          |  |
| (Re-investment)<br>Kunshan Quaser<br>Machine Tools,<br>Inc.General   | Yang, Cheng-Kai<br>(Note 4)                                          | (10,911)                  | 0                          | 0                           | 0                          |  |
| Manager                                                              |                                                                      |                           |                            |                             | 00. 2022                   |  |

Note 1: Appointed as Assistant Manager of Business Department on January 09, 2023, resigned on April 11, 2023.

Note 2: Appointed by the Board of Directors on November 02, 2023 as Accounting Supervisor.

Note 3: Resigned on August 31, 2023.

Note 4: Dismissed from the position of General Manager of Kunshan Quaser Machine Tools, Inc. on March 16, 2023 as a result of internal reorganization.

(2) Information on Equity Transfers to Related Parties by Directors, Supervisors,

Managers, and Shareholders Holding More Than 10% of the Shares

| Wanagers, and Shareholders Holding Wore Than 1070 of the Shares |                          |                |                      |                                                                                                                            |                     |       |  |  |
|-----------------------------------------------------------------|--------------------------|----------------|----------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------|-------|--|--|
| Name                                                            | Reason<br>of<br>Transfer | Date           | Counter-party        | Relationship with<br>Directors,<br>Supervisors,<br>Managers, and<br>Shareholders Holding<br>More Than 10% of<br>the Shares | Number of<br>Shares | Price |  |  |
| Shieh, Raui-<br>Mu                                              | Gift                     | June 14, 2023  | Hsieh, Tien-<br>Hsin | First degree of kinship                                                                                                    | 61,000              | -     |  |  |
| Shieh, Raui-<br>Mu                                              | Gift                     | March 01, 2024 | Heigh Tien-          | First degree of kinship                                                                                                    | 51,500              | -     |  |  |

<sup>(3)</sup> Information on Pledges to Related Parties by Directors, Supervisors, Managers, and Shareholders Holding More Than 10% of the Shares: Nil.

#### 9. Information about the Top Ten Shareholders who are Spouses or within Two Degrees of Kinship

April 02, 2024; Unit: Share; %

| April 02, 2024, Onit. Sha                                      |              |                |                                                |                |                                      |                | Dilaie, 70                                                                                                 |                                                   |         |
|----------------------------------------------------------------|--------------|----------------|------------------------------------------------|----------------|--------------------------------------|----------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------|
| Name                                                           |              | renolding      | Shareholdings of the spouse and minor children |                | Shareholding in other people's names |                | Title/Name and Relationship of Top Ten<br>Shareholders who are Spouses or within<br>Two Degrees of Kinship |                                                   | Remarks |
|                                                                | Shareholding | Shareholding % | Shareholding                                   | Shareholding % | Shareholding                         | Shareholding % | Title<br>(or Name)                                                                                         | Relationship                                      |         |
| Yeh-Chiang Technology Corp.                                    | 12,433,500   | 22.63          | _                                              | _              | _                                    | _              | _                                                                                                          | _                                                 |         |
| Yeh-Chiang Technology Corp.<br>Representative: Wang, Tai-Kuang | _            | _              | _                                              | _              | _                                    | _              | _                                                                                                          | _                                                 |         |
| Shieh, Raui-Mu                                                 | 5,459,810    | 9.94           | _                                              | _              | _                                    | _              | Hsieh, Tien-Hsin                                                                                           | First degree                                      |         |
| Xude Investment Co., Ltd.                                      | 5,107,118    | 9.29           | _                                              | _              | _                                    | _              | _                                                                                                          | _                                                 |         |
| Xude Investment Co., Ltd.<br>Representative: Cheng, Shih       | _            | _              | _                                              | _              | _                                    | _              | Hsia, Liang-Chun<br>Hsia, Ching-Hsuan                                                                      | First degree<br>First degree                      | (Note)  |
| National Development Fund,<br>Executive Yuan                   | 1,625,000    | 2.96           | _                                              | _              | _                                    | _              | ı                                                                                                          | _                                                 |         |
| Yao-Hwa Glass Co., Ltd.<br>Administration Committee            | 1,625,000    | 2.96           | _                                              | _              | _                                    | _              | 1                                                                                                          | _                                                 |         |
| Hsieh, Tien-Hsin                                               | 1,433,514    | 2.61           | _                                              | _              | _                                    | _              | Shieh, Raui-Mu                                                                                             | First degree                                      |         |
| Hsia, Liang-Chun                                               | 1,121,561    | 2.04           | _                                              | _              | _                                    | _              | Xude Investment<br>Co., Ltd.<br>Cheng, Shih<br>Hsia, Ching-Hsuan                                           | Company Supervisor First degree Second degree     | (Note)  |
| 108 Investments Co., Ltd.                                      | 850,000      | 1.55           | _                                              | _              | _                                    | _              | _                                                                                                          | _                                                 |         |
| 108 Investments Co., Ltd.<br>Representative: Chiu, Li-Ling     | 60,000       | 0.11           | _                                              | _              | _                                    | _              | _                                                                                                          | _                                                 | (Note)  |
| Hsia, Ching-Hsuan                                              | 619,062      | 1.13           | 122,019                                        | 0.22           | _                                    | _              | Xude Investment<br>Co., Ltd.<br>Cheng, Shih<br>Hsia, Liang-Chun                                            | Company Director<br>First degree<br>Second degree |         |
| Liao, Tzu-En                                                   | 588,257      | 1.07           | _                                              | _              |                                      | _              |                                                                                                            | _                                                 | (Note)  |
|                                                                |              |                |                                                |                |                                      |                |                                                                                                            |                                                   | _       |

Note: The Company does not have access to information on individual shareholders' spouses, minor children, or shareholdings in other people's names.

# 10. The Number of Shares Held by the Company, its Directors, Supervisors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Investment Property, and the Consolidated Percentage of Shares Held

Unit: Share; %

| Re-invested<br>businesses                              | The Comp<br>investm | -               | Investment Directors, support of managers or or indirectors controlled but | directly        | Total investment |                 |
|--------------------------------------------------------|---------------------|-----------------|----------------------------------------------------------------------------|-----------------|------------------|-----------------|
|                                                        | Shareholdin<br>g    | Shareho lding % | Shareholdin<br>g                                                           | Shareh olding % | Shareholding     | Shareh olding % |
| Quaser Europe<br>Technical Center AG                   | 1,000               | 100%            | _                                                                          | _               | 1,000            | 100%            |
| Kunshan Quaser<br>Machine Tools, Inc.                  | _                   | 100%            | _                                                                          | _               | _                | 100%            |
| Quaser America<br>Machine Tools, Inc.                  | 6,000,000           | 100%            | _                                                                          | _               | 6,000,000        | 100%            |
| Quaser Europe<br>Technical Center<br>Gmbh              | 25,000              | 100%            | _                                                                          |                 | 25,000           | 100%            |
| Winbro Group UK<br>Limited                             | 1,425,000           | 100%            | _                                                                          | _               | 1,425,000        | 100%            |
| Winbro Group<br>Technologies Limited                   | 9,029,804           | 100%            | _                                                                          | _               | 9,029,804        | 100%            |
| Winbro Group<br>Technologies LLC                       | _                   | 100%            | _                                                                          | _               | _                | 100%            |
| Zhongshan Xuguang<br>Machinery<br>Technology Co., Ltd. | _                   | 40%             | _                                                                          | _               | _                | 40%             |

## IV. Capital Overview

# Capital and Shares Share Capital Source of Share Capital

|                |                          | Approve    |                  | Paid-in    | Capital       | Remar                                                                 |                                                      |         |
|----------------|--------------------------|------------|------------------|------------|---------------|-----------------------------------------------------------------------|------------------------------------------------------|---------|
| Year           | Issue<br>Price<br>(NT\$) | Shares     | Amount<br>(NT\$) | Shares     | Amount (NT\$) | Source of Capital                                                     | Capital<br>Increased by<br>Assets Other<br>than Cash | Others  |
| May 1991       | 1,000                    | 10,000     | 10,000,000       | 10,000     | 10,000,000    | Establishment<br>NT\$10,000,000                                       | Nil                                                  | Note 1  |
| December 1991  | 10                       | 2,500,000  | 25,000,000       | 2,500,000  | 25,000,000    | Cash capital increase<br>NT\$15,000,000                               | Nil                                                  | Note 2  |
| April 1992     | 10                       | 3,600,000  | 36,000,000       | 3,600,000  | 36,000,000    | Cash capital increase<br>NT\$11,000,000                               | Nil                                                  | Note 3  |
| August 1994    | 10                       | 4,266,250  | 42,662,500       | 4,266,250  | 42,662,500    | Cash capital increase<br>NT\$6,662,500                                | Nil                                                  | Note 4  |
| September 1997 | 10                       | 4,606,250  | 46,062,500       | 4,606,250  | 46,062,500    | Cash capital increase<br>NT\$3,400,000                                | Nil                                                  | Note 5  |
| September 1999 | 10                       | 6,264,500  | 62,645,000       | 6,264,500  | 62,645,000    | Conversion of unappropriated earnings to capital                      | Nil                                                  | Note 6  |
| November 2001  | 10                       | 7,517,400  | 75,174,000       | 7,517,400  | 75,174,000    | Conversion of unappropriated                                          | Nil                                                  | Note 7  |
| November 2002  | 10                       | 9,020,880  | 90,208,800       | 9,020,880  | 90,208,800    | Conversion of unappropriated earnings to capital NT\$15,034,800       | Nil                                                  | Note 8  |
| December 2003  | 10                       | 9,359,163  | 93,591,630       | 9,359,163  | 93,591,630    | Conversion of unappropriated                                          | Nil                                                  | Note 9  |
| December 2006  | 10                       | 13,102,821 | 131,028,210      | 13,102,821 | 131,028,210   | Conversion of unappropriated                                          | Nil                                                  | Note 10 |
| October 2007   | 10                       | 18,343,944 | 183,439,440      | 18,343,944 | 183,439,440   | Conversion of unappropriated                                          | Nil                                                  | Note 11 |
| December 2007  | 10                       | 18,343,944 | 183,439,440      | 11,175,614 | 111,756,140   | Elimination of shares by merger NT\$71,683,300                        | Nil                                                  | Note 12 |
| October 2009   | 10                       | 18,343,944 | 183,439,440      | 12,293,177 | 122,931,770   | Conversion of unappropriated earnings to capital NT\$11,175,630       | Nil                                                  | Note 13 |
| August 2012    | 10                       | 18,343,944 | 183,439,440      | 17,210,440 | 172,104,400   | Conversion of unappropriated                                          | Nil                                                  | Note 14 |
| August 2013    | 10                       | 45,000,000 | 450,000,000      | 20,000,000 | 200,000,000   | Conversion of unappropriated<br>earnings to capital<br>NT\$27,895,600 | Nil                                                  | Note 15 |
| July 2014      | 85                       | 80,000,000 | 800,000,000      | 21,000,000 | 210,000,000   | Cook comital improces                                                 | Nil                                                  | Note 16 |
| September 2014 | 40                       | 80,000,000 | 800,000,000      | 23,500,000 | 235,000,000   | Exercise of employee stock                                            | Nil                                                  | Note 17 |
| September 2014 | 10                       | 80,000,000 | 800,000,000      | 35,250,000 | 352,500,000   | Conversion of unappropriated                                          | Nil                                                  | Note 18 |
| July 2018      | 10                       | 80,000,000 | 800,000,000      | 39,950,000 | 399,500,000   | Cash capital increase                                                 | Nil                                                  | Note 19 |

|              |                          | Approve    | d Capital        | Paid-in    | Capital          | Remar                                    | ks                                                   |         |
|--------------|--------------------------|------------|------------------|------------|------------------|------------------------------------------|------------------------------------------------------|---------|
| Year         | Issue<br>Price<br>(NT\$) | Shares     | Amount<br>(NT\$) | Shares     | Amount<br>(NT\$) | Source of Capital                        | Capital<br>Increased by<br>Assets Other<br>than Cash | Others  |
| October 2019 | 40                       | 80,000,000 | 800,000,000      | 44,950,000 | 449,500,000      | Cash capital increase NT\$50,000,000     | Nil                                                  | Note 20 |
| March 2020   | 40                       | 80,000,000 | 800,000,000      | 54,950,000 | 549,500,000      | Cash capital increase<br>NT\$100,000,000 | Nil                                                  | Note 21 |

Note 1: Ministry of Economic Affairs May 23, 1991 Letter No. 215072

Note 2: December 12, 1991 (80) Chien-San-Chia Letter No. 386641

Note 3: April 21, 1992 Ching(81)Shang Letter No. 106759

Note 4: August 27, 1994 Ching-Tou-Shen(83)Kung-Shang Letter No. 5261

Note 5: September 05, 1997 Ching(86)Shang Letter No. 116935

Note 6: September 20, 1999 Ching(88)Chung Letter No. 88683793

Note 7: November 13, 2001 Ching(90)Chung Letter No. 09033049310 Note 8: November 12, 2002 Ching-Shou-Chung Letter No. 09132980640

Note 9: December 24, 2003 Ching-Shou-Chung Letter No. 09233192600

Note 10: December 19, 2006 Ching-Shou-Chung Letter No. 09533306290

Note 11: October 29, 2007 Ching-Shou-Chung Letter No. 09632969060

Note 12: December 11, 2007 Ching-Shou-Chung Letter No. 09633215840

Note 13: October 08, 2009 Ching-Shou-Chung Letter No. 09833213000

Note 14: September 27, 2012 Ching-Shou-Chung Letter No. 10132542370

Note 15: September 11, 2013 Fu-Shou-Ching-Shang Letter No. 10208411680

Note 16: August 04, 2014 Fu-Shou-Ching-Shang Letter No. 10307642970

Note 17: September 24, 2014 Fu-Shou-Ching-Shang Letter No. 10307727790

Note 18: October 06, 2014 Fu-Shou-Ching-Shang Letter No. 10307753210

Note 19: July 23, 2018 Fu-Shou-Ching-Shang Letter No. 10707367160 Note 20: November 19, 2019 Fu-Shou-Ching-Shang Letter No. 10807621760

Note 21: May 12, 2020 Ching-Shou-Ching-Shang Letter No. 10901068960

#### 2. Share Type

April 11, 2024; Unit: Share

| Classes         | Authorized Capital |                     |            |               |
|-----------------|--------------------|---------------------|------------|---------------|
| Share<br>Type   | Issued Shares      | Un-issued<br>Shares | Total      | Remarks       |
| Common<br>Stock | 54,950,000         | 25,050,000          | 80,000,000 | Listed shares |

3. Summary reporting system related information: Nil.

#### (2) Status of Shareholders

April 02, 2024; Unit: Person; Share; %

| Shareholder<br>structure<br>Holding | Government<br>Agencies | Financial<br>Institutions | Other<br>Juridical<br>Persons | Domestic<br>Natural<br>Persons | Foreign<br>Institutions<br>and<br>Foreigners | Total      |
|-------------------------------------|------------------------|---------------------------|-------------------------------|--------------------------------|----------------------------------------------|------------|
| Number                              | 1                      | 1                         | 23                            | 3,558                          | 10                                           | 3,593      |
| Shareholding                        | 1,625,000              | 1,000                     | 20,858,918                    | 31,198,082                     | 1,267,000                                    | 54,950,000 |
| %                                   | 2.96%                  | 0.00%                     | 37.96%                        | 56.77%                         | 2.31%                                        | 100.00%    |

## (3) Shareholding Distribution Status1. Common Shares

April 2, 2024; Unit: Person; Share; %

| Sharel  | Shareholding Tiers |           | No. of Shareholders | Shareholding | %       |
|---------|--------------------|-----------|---------------------|--------------|---------|
| 1       | ~                  | 999       | 542                 | 79,314       | 0.14%   |
| 1,000   | ~                  | 5,000     | 2,312               | 4,519,965    | 8.23%   |
| 5,001   | ~                  | 10,000    | 345                 | 2,770,975    | 5.04%   |
| 10,001  | ~                  | 15,000    | 102                 | 1,312,639    | 2.39%   |
| 15,001  | ~                  | 20,000    | 72                  | 1,323,893    | 2.41%   |
| 20,001  | ~                  | 30,000    | 77                  | 1,970,756    | 3.59%   |
| 30,001  | ~                  | 40,000    | 33                  | 1,196,367    | 2.18%   |
| 40,001  | ~                  | 50,000    | 23                  | 1,010,657    | 1.84%   |
| 50,001  | ~                  | 100,000   | 45                  | 3,249,175    | 5.91%   |
| 100,001 | ~                  | 200,000   | 21                  | 2,961,805    | 5.39%   |
| 200,001 | ~                  | 400,000   | 9                   | 2,612,632    | 4.75%   |
| 400,001 | ~                  | 600,000   | 3                   | 1,667,257    | 3.03%   |
| 600,001 | ~                  | 800,000   | 1                   | 619,062      | 1.13%   |
| 800,001 | $\sim$             | 1,000,000 | 1                   | 850,000      | 1.55%   |
| 1,000   | 1,000,001 or more  |           | 7                   | 28,805,503   | 52.42%  |
|         | Total              |           | 3,593               | 54,950,000   | 100.00% |

#### Preferred stock: Nil.

### (4) Major Shareholders

April 02, 2024; Unit: Share; %

| Shares                                              | Shareholding | %      |
|-----------------------------------------------------|--------------|--------|
| Yeh-Chiang Technology Corp.                         | 12,433,500   | 22.63% |
| Shieh, Raui-Mu                                      | 5,459,810    | 9.94%  |
| Xude Investment Co., Ltd.                           | 5,107,118    | 9.29%  |
| National Development Fund, Executive Yuan           | 1,625,000    | 2.96%  |
| Yao-Hwa Glass Co., Ltd. Administration<br>Committee | 1,625,000    | 2.96%  |
| Hsieh, Tien-Hsin                                    | 1,433,514    | 2.61%  |
| Hsia, Liang-Chun                                    | 1,121,561    | 2.04%  |
| 108 Investments Co., Ltd.                           | 850,000      | 1.55%  |
| Hsia, Ching-Hsuan                                   | 619,062      | 1.13%  |
| Liao, Tzu-En                                        | 588,257      | 1.07%  |

## (5) The Share's Market Price, Net Worth, Earnings and Dividends for the Past Two Years

Unit: NT\$/ thousand shares

| Item              |                                              | Year                    | 2022   | 2023           | Current year as of<br>March 31, 2024 |
|-------------------|----------------------------------------------|-------------------------|--------|----------------|--------------------------------------|
| Market            | Highest                                      |                         | 39.45  | 73.00          | 54.50                                |
| price per         | Lowest                                       |                         | 28.70  | 37.50          | 43.40                                |
| share             | Average                                      |                         | 31.80  | 47.46          | 49.39                                |
| Net worth         | Before d                                     | istribution             | 23.35  | 25.85          | (Note 5)                             |
| per share         | After dis                                    | tribution (Note 6)      | 23.35  | 25.31 (Note 6) | (Note 5)                             |
| Earnings          | Weighted average number of shares            |                         | 54,950 | 54,950         | (Note 5)                             |
| per share         | Earnings per share                           |                         | 1.98   | 2.02           | (Note 5)                             |
|                   | Cash dividend (Note 6)                       |                         |        | 0.534 (Note 6) | _                                    |
| Dividend          | Bonus<br>shares                              | By retained earnings    | _      | _              | _                                    |
| per share         |                                              | By paid-in Capital      | _      | _              | _                                    |
| per same          | Accumulated undistributed dividends (Note 1) |                         |        | -              | _                                    |
|                   | Price / E                                    | arnings ratio (Note 2)  | 16.06  | 23.50          |                                      |
| Investment return | Price / D                                    | vividend ratio (Note 3) | _      | 88.88 (Note 6) | _                                    |
| analysis          | Cash div<br>(Note 4)                         | idend yield rate        | -      | 1.13% (Note 6) | _                                    |

- Note 1: If the conditions for issuance of equity securities stipulate that unpaid dividends may be accumulated until the year in which the dividends are paid, the cumulative unpaid dividends up to the end of the year should be disclosed separately.
- Note 2: Price / Earnings ratio = average closing price per share for the year / earnings per share.
- Note 3: Price / Dividend ratio = average closing price per share for the year / cash dividend per share.
- Note 4: Cash dividend yield rate = cash dividend per share / average closing price per share for the year.
- Note 5: As of the publication date of the annual report, the information on the financial statements reviewed by the CPA for the first quarter of 2024 is not yet available and is therefore not disclosed
- Note 6: Based on the number of shares outstanding as of the end of the year and based on the distribution resolved by the board of directors or the shareholders' meeting of the following year. The earnings distribution plan for the year 2023 has not yet been resolved by the shareholders' meeting.

#### (6) The Company's Dividend Policy and Status of Implementation

- 1. Dividend Policy
- (1) Current dividend policy

The Company's earnings, if any, are appropriated in the following order:

- A. Tax payments to be fully made in accordance with the law;
- B. To cover prior years' losses;
- C. To appropriate 10% as legal reserve;
- D. To appropriate or reverse the special reserve, if necessary, in accordance with the law;
- E. The remaining balance, together with the unappropriated earnings of prior years, may be considered as distributable earnings, and the Board of Directors shall prepare a proposal for the distribution of earnings and submit it to the shareholders' meeting for a resolution on such distribution. Dividends to shareholders are limited to those recorded in the shareholders' list on the base date of the dividend.

The Company may pay dividends in the form of cash or by issuing new shares in accordance with the current year's earnings and the overall industry environment, provided that the percentage of cash dividends shall not be less than 60% of the total amount of dividends to be paid in the current year, which

may be adjusted by the shareholders' meeting in accordance with current year's actual earnings and operating conditions.

#### 2. Proposed Revised Dividend Policy

If there is a profit after tax in after closing of accounts, the Company shall first complete taxation in accordance with the law, and then make up the losses for the preceding years, set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the Company may, under its regulations, set aside another sum as special reserve or make reversals thereof; if there are still earnings after the aforesaid distribution, a proposal for distribution of such earnings combined with cumulative undistributed earnings may be proposed by the Board of Directors. Where such distribution is to be made in the form of new share issuance, a proposal shall be submitted to the shareholders' meeting for resolution and distribution.

The Board of Directors under authorization of the Company in accordance with the law shall have the legal reserves and capital reserves as prescribed in Article 241, Paragraph 1 of the Company Act paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The shareholders eligible for the distributed shareholders' dividend shall be limited to those listed on the shareholders' roster as of the record date for the dividend. The above-mentioned dividend policy revision plan has been approved by the company's board of directors on March 12, 2024, and remains to be revised in the company's articles of association after review and approval by the shareholders' meeting.

3. Proposed Dividend Distribution at the Shareholders' Meeting The proposed distribution of the Company's 2023 earnings was approved by the Board of Directors in a motion presented on March 12, 2024 and acknowledged by the shareholders at the May 31, 2024 regular shareholders' meeting, and the proposed distribution is as follows:

|                                                                            | Unit: NT\$   |
|----------------------------------------------------------------------------|--------------|
| Items                                                                      | Amount       |
| Undistributed earnings (losses to be made up) at the beginning of the year | (79,576,570) |
| Remeasurement of defined benefit plans recognized in retained earnings     | 1,210,223    |
| Undistributed earnings (losses to be made up) after adjustment             | (78,366,347) |
| Net profit for the current period                                          | 110,993,251  |
| Deduct: 10% legal reserve                                                  | (3,262,690)  |
| Distributable earnings for the year                                        | 29,364,214   |
| Distribution Items:                                                        |              |
| Cash Dividend (NT\$0.534 per Share)                                        | (29,343,300) |
| Undistributed earnings at the end of the year                              | 20,914       |
|                                                                            |              |

- (7) Impact on the Company's operating results and earnings per share from the proposed bonus shares at the regular shareholders' meeting: There was no proposal for bonus shares at the regular shareholders' meeting.
- (8) Compensation of Employees, Directors and Supervisors.
  - 1. The percentage or scope of the bonuses of Employees and Directors stipulated in the Articles of Incorporation:

If the Company makes a profit for the year, an amount not less than 5.52% for employees' compensation and not more than 2.07% for directors' compensation shall be appropriated. However, the Company shall prioritize the amount to be appropriated to cover any accumulated losses. For employees' stock or cash compensation, only those employees who are still employed by the Company on the date of distribution shall be eligible, including employees of subsidiaries who meet certain criteria.

- 2. The basis for estimating the amount of compensation to employees, directors and supervisors, the basis for calculating the number of shares of employees' compensation to be distributed by means of stock dividends, and the accounting treatment in the event that the actual amount of compensation distributed differs from the estimated amount: The compensation to employees, directors and supervisors of the Company is distributed in accordance with the Company's Articles of Incorporation. If there is a discrepancy between the actual distribution amount resolved in the stockholders' meeting and the estimated amount, the discrepancy will be regarded as a change in accounting estimate and adjusted in the year in which the stockholders' meeting resolves the adjustment, and will be recognized as profit or loss in the year of the stockholders' meeting.
- 3. The status on compensation distribution approved by the Board of Directors:
  - (1) The amount of compensation to employees, directors and supervisors may be distributed in the form of cash or stock. If there is any difference between these amounts and the estimated amounts in the year of expense recognition, the Company should disclose the differences, the reasons for the differences, and how the differences were handled: The Company's Board of Directors' meeting on March 12, 2024 resolved to distribute NT\$3,464 thousand as compensation to employees and NT\$1,299 thousand as compensation to directors, all of which were paid in cash, and the amounts were the same as the estimated amounts.
  - (2) The amount of employee compensation distributed in stock and the percentage of total net income after tax and total employee compensation for the current period for individual or separate financial statements: The Company did not distribute any employee compensation in the form of stock in 2023. Therefore, it is not applicable.
- 4. The actual distribution of employees', directors' and supervisors' compensation in the previous year (including the number of shares distributed, amount and price of the shares), and the difference between the actual distribution and the recognized employees', directors' and supervisors' compensation, including the amount, reasons, and handling of the difference: The Company's operating results for the year ended December 31, 2022 reflected a profit; however, the Company was unable to distribute employees', directors' and supervisors' compensation due to the fact that the Company was still in a position of accumulated losses.
- (9) Share Repurchased by the Company: Nil.
- 2. Corporate Bonds (Including Overseas Corporate Bonds): Nil.
- 3. Preferred Shares: Nil.
- 4. Overseas Depositary Receipts: Nil.
- 5. Employee Stock Options: Nil.
- 6. Issuance of Restricted Stock for Employees: Nil.
- 7. Issuance of New Shares for Merger, Acquisition or Exchange of Other Companies' Shares: Nil.
- 8. Financing Plans and Implementation: As of the publication date of the annual report, there was no incomplete capital utilization plan or completed plan with benefits yet to be realized.

#### V. Operations Overview

#### 1. Business Overview

- (1) Business overview
  - 1. Main businesses:

The Company mainly engages in the following:

- (1) Mechanical Equipment Manufacturing;
- (2) Other Machinery Manufacturing;
- (3) Computer and Peripheral Equipment Manufacturing;
- (4) Other Electrical Engineering and Electronic Machinery Equipment Manufacturing;
- (5) Aircraft and Parts Manufacturing;
- (6) Product Designing;
- (7) Wholesale of Machinery;
- (8) Retail Sale of Other Machinery and Equipment;
- (9) International Trade
- 2. The Company's main businesses and their weightings:

Unit: NT\$ thousand

| Duo duot Truso             | 20        | 22         | 2023      |            |
|----------------------------|-----------|------------|-----------|------------|
| Product Type               | Amount    | Percentage | Amount    | Percentage |
| Machining center           | 1,321,440 | 59.32%     | 1,091,926 | 39.41%     |
| Aerospace machining center | 332,096   | 4.67%      | 722,522   | 26.08%     |
| Others                     | 930,421   | 36.01%     | 956,302   | 34.51%     |
| Total                      | 2,583,957 | 100.00%    | 2,770,750 | 100.00%    |

#### 3. Currently, the Company's products (services) are as follows:

The Group's main products are Computer Numerical Control (CNC) machines, which belong to the metal cutting machine manufacturing industry of industrial machinery, and are the essential machinery and equipment for all kinds of basic and precision machining, with applications in aerospace industry, national defense industry, automotive industry, general machinery, metal product processing industry and electronic industry, etc. The main categories of the Company's machine products are as follows:

| Item | Type                                    | Model                              | Usage                                                 | Applied Industries                                                                             |
|------|-----------------------------------------|------------------------------------|-------------------------------------------------------|------------------------------------------------------------------------------------------------|
| 1    | Vertical machining center               | MV1 series<br>MV2 series           | Mass production component processing                  | Machinery, automotive, electronics, molds, etc.                                                |
| 2    | Vertical swivel machining center        | MV154APC<br>series<br>MK603 series | Mass production component processing                  | Machinery, automotive, aerospace, electronics, molds, etc.                                     |
| 3    | Multi-face machining center             | MF series                          | Complex curve-<br>surfaced component<br>processing    | Machinery, national defense,<br>automotive, aerospace,<br>electronics, molds, medical,<br>etc. |
| 4    | 5-axis machining center                 | UX series<br>MK5U series           | Complex curve-<br>surfaced component<br>processing    | National defense, aerospace, electronics, molds, medical, etc.                                 |
| 5    | Horizontal machining center             | HX series                          | Massive mass production component processing          | Machinery, national defense, automotive, aerospace, etc.                                       |
| 6    | Horizontal flexible manufacturing units | HX CELL series                     | Small quantity with wide variety component processing | Machinery, national defense, automotive, aerospace, etc.                                       |

| Item | Type                                                 | Model        | Usage                                                                                      | Applied Industries                                                                             |
|------|------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| 7    | Multi-face+5-axis<br>flexible<br>manufacturing units | MF / UX CELL | Complex curve-<br>surfaced, small<br>quantity with wide<br>variety component<br>processing | National defense, aerospace, electronics, molds, medical, etc.                                 |
| 8    | Turning and milling machine                          | MT400U       | Complex curve-<br>surfaced, small<br>quantity with wide<br>variety component<br>processing | Machinery, national defense,<br>automotive, aerospace,<br>electronics, molds, medical,<br>etc. |

4. New products (services) that are planned for development

|     | . New products (services) that are planned for development |                                                          |  |  |  |
|-----|------------------------------------------------------------|----------------------------------------------------------|--|--|--|
| No. | Item                                                       | New technologies or improvements                         |  |  |  |
| 1   | High-precision vertical machining                          | Incorporation of ESG-oriented designs and components     |  |  |  |
| 1   | center                                                     | to improve existing long-selling products.               |  |  |  |
| 2.  | NC - PC                                                    | Development of proprietary flexible manufacturing HMI    |  |  |  |
|     | NC - PC                                                    | interfaces by Windows PC.                                |  |  |  |
|     |                                                            | Introduction of unique machine structure, enhanced       |  |  |  |
| 3   | New generation 5-axis machining                            | machining/chip removal/operating capability, and         |  |  |  |
| 3   | center                                                     | technology collaboration with renowned aerospace         |  |  |  |
|     |                                                            | equipment manufacturers.                                 |  |  |  |
|     |                                                            | Combine generative AI with controllers to aid users in   |  |  |  |
| 4   | Generative AI Assistance Services                          | solving data searches, shortening learning curves,       |  |  |  |
| 4   |                                                            | providing notifications of machine status, and enhancing |  |  |  |
|     |                                                            | safety alerts.                                           |  |  |  |
|     | E 4 1 10 31 C 4 3                                          | New automated plate storage system for existing 5-axis   |  |  |  |
| 5   | Extended flexible manufacturing                            | machines to meet high and varying production demands     |  |  |  |
|     | product line                                               | at the same time.                                        |  |  |  |
| (   | D-14i                                                      | Accurate and real-time control of energy consumption of  |  |  |  |
| 6   | Real-time carbon emissions display                         | machines.                                                |  |  |  |
|     | ı                                                          |                                                          |  |  |  |

#### (2) Industry Overview:

#### 1. Current Status and Development of the Industry

The cumulative export value of machining centers was US\$2.599 billion in 2023, a decrease of 14% compared with the same period in 2022, among which the export value of metal cutting machine tools was US\$2.2 billion, a decrease of 13.3% compared with the same period last year, and the export value of metal molding machines was US\$395 million, a decrease of 17.7% compared with the same period last year. In 2023, the top ten exporting countries of Taiwan machining centers in terms of the order of amount exported, were Mainland China (including Hong Kong), the United States, Turkey, India, the Netherlands, Germany, Italy, Vietnam, Thailand, and Japan. Among them, Mainland China (including Hong Kong) accounted for 27.4% of the total export market, amounting to US\$711 million, a decline of 11.9% compared with the same period last year; the second largest consumer was the United States, which accounted for 14.5% of the export market, amounting to US\$377 million, a decline of 15.1% compared with the same period last year; and the third largest consumer was Turkey, which amounted to US\$289 million, a growth of 13.9% compared with the same period last year.

2023 Statistical Analysis of Taiwan Machine Center Exports by Country

Unit: US\$

| Rank | Country                             | 2023 Exports | 2022 Exports | Compared to the Same Period (%) |
|------|-------------------------------------|--------------|--------------|---------------------------------|
| 1    | Mainland China (including Hongkong) | 711,934      | 808,392      | -11.9%                          |
| 2    | The United States                   | 377,817      | 445,172      | -15.1%                          |
| 3    | Turkey                              | 289,793      | 254,359      | 13.9%                           |
| 4    | India                               | 120,688      | 93,494       | 29.1%                           |
| 5    | The Netherlands                     | 84,343       | 108,716      | -22.4%                          |
| 6    | Germany                             | 78,218       | 79,144       | -1.2%                           |
| 7    | Italy                               | 73,450       | 104,609      | -29.8%                          |
| 8    | Vietnam                             | 71,366       | 116,909      | -39.0%                          |
| 9    | Thailand                            | 67,474       | 87,869       | -23.2%                          |
| 10   | Japan                               | 66,555       | 78,649       | 15.4%                           |
|      | Other Countries                     | 657,801      | 845,947      | -22.2%                          |
|      | Global Total                        | 2,599,439    | 3,023,260    | -14.0%                          |

Source: Customs Administration, MOF, R.O.C.; Data collected by: TMBA

#### 2023 Statistical Analysis of Taiwan Machine Center Exports

Unit: US\$

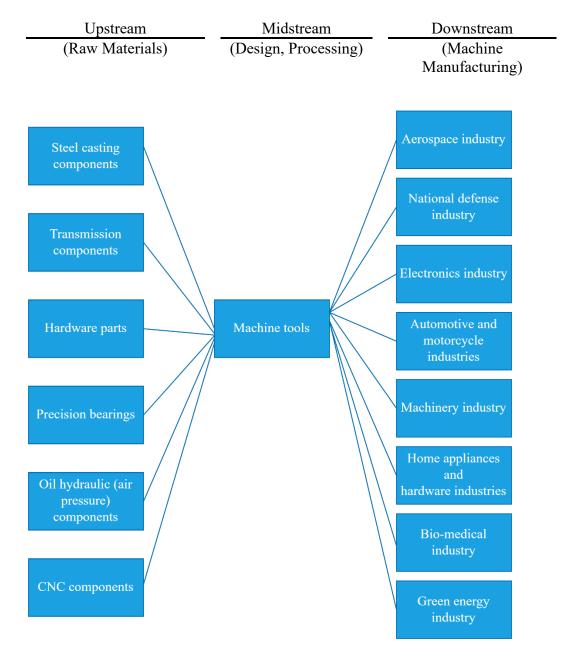
| Type of Machine                                     | 2023<br>Exports | 2022<br>Exports | Compared to the Same Period (%) |  |
|-----------------------------------------------------|-----------------|-----------------|---------------------------------|--|
| Electrical discharge, laser, ultrasonic machines    | 167,396         | 182,508         | -8.3%                           |  |
| Machining center                                    | 871,641         | 1,044,079       | -16.5%                          |  |
| Lathe                                               | 651,519         | 685,345         | -4.9%                           |  |
| Auger, boring, milling and screw threading machines | 160,444         | 205,623         | -22.0%                          |  |
| Grinder                                             | 217,272         | 277,786         | -21.8%                          |  |
| Planing, insertion, vertical, and serrated machines | 135,844         | 147,743         | -8.1%                           |  |
| Metal cutting machine                               | 2,204,116       | 2,543,084       | -13.3%                          |  |
| Forging and stamping machines                       | 314,411         | 376,638         | -16.5%                          |  |
| Other molding machines                              | 80,912          | 103,538         | -21.9%                          |  |
| Metal molding machines                              | 395,323         | 480,176         | -17.7%                          |  |
| Total of Machines                                   | 2,599,439       | 3,023,260       | -14.0%                          |  |

Source: Customs Administration, MOF, R.O.C.; Data collected by: TMBA

Based on the information provided by the Taiwan Machine Tool & Accessory Builders' Association (TMBA), global inflation is expected to slow down, and the interest rate hike cycle of central banks is approaching the end. However, due to the stubbornness of core inflation, the high interest rate is expected to persist for a period of time. A new round of U.S.-China technology conflict continues, with U.S. companies tightening their participation in China's supply chain and suggesting that more control measures may be on the horizon, leaving much uncertainty in the U.S.-China competitive scenario. In addition, China's economic performance is showing signs of recession and deflationary pressures. Despite the fact that China has been announcing macroeconomic policies to stimulate its economy, the effectiveness of these policies is yet to be seen. Looking forward to 2024, following the rebound in global consumption of end products, inventories are gradually returning to a healthy level, which in turn will help drive up Taiwan's exports and production capacity.

#### 2. Relationship between the upstream, midstream and downstream industries

Due to the complexity of the manufacturing process of machines and the large number of components required, most of the raw materials required are supplied by component suppliers, followed by professional design, integration, and assembly by machine manufacturers, and the relationship between upstream, midstream, and downstream is as follows:



#### 3. Various Development Trends and Competitions of the Products

The development trend of Taiwan's machining center can be roughly categorized into seven directions: automation system integration, high efficiency machining, multi-axis precision machining, massive machining, machining center, smart machining, and green energy machining.

#### (1) Automation System Integration

Due to the demand for automated production caused by the declining labor force and rising wages in Mainland China, there is a trend of gradual increase in automation. Therefore, many machine manufacturers who originally produced single machines have switched to single or multi-machine with robotic arms as a way to bring more value to the products.

#### (2) High Efficiency Machining

High-efficiency machining has always been the key to improving productivity and reducing costs for machine customers, with many machine manufacturers now focusing on this feature in developing new machines to meet the needs of the global manufacturing industry.

#### (3) Multi-Axis Precision Machining

Other than integrating multiple models and automation facilities to provide flexible and automated production, machine manufacturers are also actively working towards the development of machine tools that are capable of performing a variety of different machining methods on a single machine simultaneously. For example, by machining metal on a machine with multiple axes, not only can it reduce the time for loading, unloading and line switching, but it can also utilize various axes in conjunction with the main cutting spindle, which enables workpieces to be machined in a single machining process.

#### (4) Massive Machining

The energy policy of the United States in recent years has called for a reduction in imports from overseas, as well as substantial increase in its own self-sustainability rate, while encouraging enterprises to carry out energy development, and is now shifting towards an energy-exporting country, with more requirements for oil and gas development-related equipment and transportation systems, massive machines, such as gantry machining centers, massive vertical lathes, massive horizontal lathes, and massive milling machine processing, etc., have all become a top choice for the energy industry's procurement.

#### (5) Machining Center

In the development of the aerospace industry, 5-axis machining and machining centers are the most representative machining center products procured, due to the most complex shapes of components and the highest machining precision requirements.

#### (6) Smart Machining

With the rapid emergence of smart manufacturing, the importance of the machine tool hardware structure has become less important, instead, the use of APP to monitor the CNC machines has emerged, with international machine manufacturers such as DMG/MORI, MAZAK, OKUMA, etc. have all invested a large number of talents and resources in the design of the company's own APP for controlling the CNC machines, focusing on the appeal of smart manufacturing, which allows APP access by smart phones, tablets, etc. from remote locations to control the entire CNC machine via Internet and the plant's intranet site. With regard to intelligent robots, it will also be an extremely important development trend for the precision machinery industry in the future, and major foreign manufacturers, including Japan's FANUC, have been actively moving towards the development of intelligent robots with visual sensors and force sensors to significantly enhance their smart functions.

#### (7) Green Energy Machining

With the advancement of precision and functionality in the machines, the impact on the environment is also increasing. Therefore, the design of green machines with energy-saving functions will become the future trend.

#### (3) Technology and R&D Overview

1. R&D expenditures for the most recent year and as of the publication date of the annual report

Unit: NT\$ thousand: %

|                      | emi. Typ measura, 70 |
|----------------------|----------------------|
| Item / Year          | 2023                 |
| R&D expenditures     | 77,771               |
| Net operating income | 2,770,750            |
| Percentage (%)       | 2.81%                |

2. Successful development of technologies or products for the most recent year and as of the publication date of the annual report

| Item No. | Successful developed technologies or products |  |  |  |
|----------|-----------------------------------------------|--|--|--|
| 1        | Flexible cutting tool storage system          |  |  |  |
|          | Model Name: Multi-tool storage system         |  |  |  |
| 2        | Five-axis machining center                    |  |  |  |
|          | Model Name: MF700 dual                        |  |  |  |
| 3        | Reversed five-axis machining center           |  |  |  |
|          | Model Name: RM8                               |  |  |  |
| 4        | New CI machining center for enterprises       |  |  |  |
|          | Model Name: MV series                         |  |  |  |

#### (4) Long-term and short-term business development plans

Ever since the establishment of the Group, the Group has been actively expanding its high-precision and automated production equipment, with a view to enhancing the production efficiency, expanding the production capacity and improving the technological level, developing towards high value-added products, and creating operational efficiencies. The short-term and long-term development plans of the Company are hereby presented as follows:

#### 1. Short-term Business Development Plans

#### (1) Marketing Strategies

A. To secure the domestic and overseas market channels, and to develop the emerging market distributors:

Particularly on Quaser's export to Europe. In recent years, Quaser has also developed the emerging markets of China and Southeast Asia, and has built up its marketing model through exhibitions and advertisements.

B. Establishment of good relationship with end customers through distributors in different countries:

By utilizing the distributor system to localize the service, we will be able to establish a seamless service with our end customers.

C. Establishment of technology centers in Europe, US and China:

To provide machine supply with short delivery time, with zero time lag for technical and component services and machining applications.

D. Strengthening of customer service quality system:

To establish a two-way communication channel between the Company and the customer, and to provide after-sales services, prioritize customer feedback, and strive for customer satisfaction in order to stabilize the long-term relationship with customers.

#### (2) Production Strategies

A. Promotion of smart production lines:

Paperless and real-time reporting system for production lines, visualization of production lines, enhanced education and training for versatile employees, introduction of TPS through M-Team consultant education and training, elimination of production line waste, and improvement of production line efficiency.

B. Standardization and improvement of product qualities:

By introducing a full-featured 48-hour non-stop test, we will be able to simulate

the customer's processing conditions and production environment, thereby optimizing the quality and performance of the machine.

C. Supplier/third party manufacturer quality consulting

By participating in SPEMA cross-industry alliances and M-Team, we are able to satisfy the customization of products and short delivery time through service differentiation, increase the value of the industry, and strive to achieve the goals of high quality, short delivery time, and low cost productions with our supply chain partners.

#### (3) Product Development Direction

A. Integration of internal products and creation of new specifications for mass production of 3-axis machining centers:

Establishment of a standardized product group that incorporates ESG mindset, introduction of energy-saving and sustainable design methods and components, and embedding of generative AI to enhance users' product experience.

B. Products' capability of meeting customer's service life and Quaser's warrantied original maximum output value:

Further development of new products with high quality and long-lasting performance, and a new product lineup with a five-year warranty.

C. Crossover products development:

With the resources of subsidiaries, the Company will collaborate in the production of turbine engine blade laser drilling machines for aerospace and other applications, as well as horizontal product expansion; and collaborate in the development of new manufacturing processes for semiconductor wafer laser drilling machines across multiple fields.

D. Machining center smart compensation:

For the demand of diversified and small amount of processing in the whole line, the integration of smart online measurement and compensation processing will be carried out by specialized projects; the introduction of single-machine products will enable them to meet the ever-changing and flexible needs of the customers.

#### (4) Business scale and financial synergy

A. Refinement of management and enhancement of administrative efficiency: Effective planning of the company's management system, implementation of enterprise information computerized operation, with a view to building full information integration, analysis and customer service, promoting performance management system, and improving administrative efficiency.

B. Financial management:

Establishment of financial policies and proper utilization of funds.

- C. Implementation of internal audit system:
- D. Emphasis on staff training and development:
- 2. Long-term Business Development Plans
  - (1) Marketing Strategies
    - A. Strengthening of brand image

Quaser Machine Tools has been marketing worldwide under the "QUASER" brand, and is well known in the industry for its high quality and service value, which has also been recognized by the "National Award of Outstanding SMEs". Quaser Machine Tools will continue to improve its professional image, and gain the trust of customers for the Quaser brand, so as to expand its brand awareness and enhance its competitive edge.

B. Cross-unit resource integration

Flexibility in adjusting organizational structure and integrating cross-unit resources to meet the needs of internal and external customers.

#### (2) Production Strategies

A. Introduction of Toyota-style management

Lower inventory costs, reduced manufacturing process waste and shorter delivery times.

#### B. Adjustment of production structure model

To make adjustments to the production structure in accordance with the industrial cycle, gradually adjusting from a multi-capacity model to a specialized division model, and striving to maximize the efficiency of production.

#### (3) Product Development Direction

#### A. Product positioning of quality and long-lasting:

Adhere to the premise of technological progress, focusing on the expansion of inner-culture prior to the production. Our many years of experience in both domestic and international after-sales service has been transformed into the core of our products, and we take excellent quality and long-lasting functionality as the direction of our product development. From the actual customer needs, we adopt the technical solutions that are able to maximize the benefits of Quaser, as well as the products that fit the customers' production lifespan needs.

B. Technical collaboration with major British, German and Japanese machine manufacturers:

In the future, Quaser will collaborate with well-known British aerospace manufacturers to produce a series of aerospace products which will be applied to the aerospace industry. Meanwhile, Quaser will also combine the market strengths of Germany and Japan to carry out technological collaborations for the joint research and development and manufacturing of machining centers.

#### C. New aspects that incorporate ESG mindset

To strike a balance between product functionality and sustainability. In terms of environmental factors: We introduce energy-saving monitoring and low energy consumption technologies. In terms of social factors: We design our products with operator safety and health in mind, and adhere to the principles of human rights and labor rights during the manufacturing process. In terms of governance: We comply with environmental and social laws and regulations. Through regular evaluations and improvements, we fulfill our responsibilities to the environment, society, and governance.

#### (4) Business scale and financial synergy

- A. The Company will keep expanding its business scale in a steady pace, actively cultivate corporate governance, implement internal auditing, cultivate excellent R&D talents, strengthen R&D capabilities in order to enhance product competitiveness, and combine long-term marketing strategies and production policy goals to improve production efficiency and product quality, so as to gradually expand its operating lines and business scale.
- B. Expansion of operating scale through the development of new markets and continuous growth in existing markets.

#### 2. Market and Sales Overview

#### (1) Market analysis

1. Main product (service) sales (provision) areas

Unit: NT\$ thousand

|          | Year    | 20        | 22     | 2023      |        |  |  |
|----------|---------|-----------|--------|-----------|--------|--|--|
| Area     |         | Amount    | %      | Amount    | %      |  |  |
| Domestic |         | 161,785   | 6.26   | 161,253   | 5.82   |  |  |
|          | Europe  | 1,502,359 | 58.14  | 1,282,767 | 46.30  |  |  |
| Ov       | Asia    | 264,075   | 10.22  | 456,760   | 16.48  |  |  |
| ers      | America | 655,150   | 25.35  | 868,313   | 31.34  |  |  |
| eas      | Others  | 588       | 0.03   | 1,657     | 0.06   |  |  |
|          | Total   | 2,583,957 | 100.00 | 2,770,750 | 100.00 |  |  |

#### 2. Market Share

Unit: NT\$ thousand

| Item                                         | 2022       | 2023       |
|----------------------------------------------|------------|------------|
| Total sales of Taiwan's machining centers    | 28,341,912 | 23,492,422 |
| Total sales of the Group's machining centers | 1,532,837  | 1,091,926  |
| Market share                                 | 5.41%      | 4.65%      |

Source: Department of Statistics, MOEA, prepared by Quaser.

Based on the statistical analysis by the Department of Statistics, MOEA, the sales of machining centers in Taiwan amounted to NT\$28,341,912 thousand and NT\$23,492,422 thousand in 2022 and 2023, respectively. If calculated using the sales of the Group's machining centers in 2022 and 2023, the market share of the Group's machining centers in Taiwan were 5.41% and 4.65%, respectively.

#### 3. Future market demand/supply and growth

#### (1) Future market supply

The application of machining center covers automotive, bicycle, aerospace, molding, national defense, biomedical equipment and 3C industries, proving that the scope of application is extremely broad, and that the energy and aerospace industries will be the key markets in the coming years. Currently, in addition to capitalizing on the cost advantage of Taiwan's machine tool industry in entering the international market, the industry is also making every effort to develop manufacturing services to promote the upgrading of machining products and increase market supply.

#### (2) Future market demand

Based on the survey of American Machine Tool Association, nearly half of the annual output value of the global machines were sold to the automotive and motorcycle parts and components production lines. In recent years, with the rapid development of the electronics industry, the 3C products production line has become the fastest-growing market among the machine tool products. The direction of machine tool industry development planning will likely continue to focus on the 3C industry or its peripheral products. Given the characteristics of light, thin, short, and small electronic products, the precision requirements of components are becoming more demanding, while the requirements of the automotive industry for machines are moving in the direction of larger size and automation.

#### (3) Future market growth

- A. The implementation of quantitative easing in Europe has raised inflation expectations and stimulated manufacturers' willingness to invest in equipment.
- B. As the U.S. economy continues to improve, some European markets have regained growth momentum, and the decline in international crude oil prices has stimulated demand in the automotive market. It is anticipated that the demand for machines in the relevant regions will be greater than that of the previous year.
- C. The rise of new players in Southeast Asia, including India and Indonesia, is expected to bring another wave of demand and opportunities to the global machine tool industry.

#### 4. Competitive niche

(1) The Company commits itself to the profession, whose image is also well recognized.

The Group has been established for more than 30 years, with its own brand "QUASER" boasting a good reputation and image. Over the years, the Group has been adhering to a high quality policy and striving to fulfill its customers' satisfaction, and has passed the ISO9001 certification of the international quality management system in 2012, and its products comply with the European Union's CE safety standards. The Group places strict requirements on the quality of its products and technological standards, and constantly researches and develops new products, and with its comprehensive product line, the Group has been able to hold a considerable competitive edge in the machine market.

(2) Management team with professional and rich experience.

The Group's current management team members focus on the operation of the basic machine tool industry, and the key executives are experienced in the changing industry environment, product development trend, production and manufacturing, and marketing operations, etc. The Company's revenue and profit have shown year-on-year growth in recent years, which demonstrates the professionalism of the management team and the outstanding operational performance.

(3) Competent R&D capability and advanced technology of products.

In addition to actively engaging in the R&D of manufacturing process technologies, the Group also collaborates with the Mechanical and Mechatronics Systems Lab and Precision Machinery Research & Development Center ("PMRDC") to acquire technology transfer and the latest product information, which enables the Group to have a competitive edge in the development of production technologies; and innovates based on the existing foundation, which has resulted in fruitful R&D achievements over the past years.

(4) Flexible production and proper positioning and differentiation strategy.

In order to cope with the demand for customized products and shortened delivery time, the Group has been continuously seeking to increase the added-value of its products and establish outsourcing systems and modular production technology to reduce production costs and shorten delivery time. In addition, with a comprehensive range of products and solid product development capabilities, the Group has positioned its products in the high value-added premium machine market, and has secured a position in the mid-range and high-end machine market dominated by Japan and Germany by capitalizing on its pricing advantages, while avoiding price competition in the industry.

(5) Expansion of domestic and overseas points of sale and provision of sound after-sales services.

The Group collaborates with distributors with sales and maintenance capabilities and provides them with logistic and technical support to enhance their marketing and service capabilities, enabling them to expand their domestic and overseas sales markets, provide immediate after-sales support and build up a good brand image.

(6) Stable supply sources and reduced production costs

The Group possesses an organized and systematic supply chain management system and has been collaborating with suppliers of key components such as controllers and precision bearings for a long time, and has formed a good partnership with them over the years. Meanwhile, in order to expand its production capacity, the Group adopts bulk procurement, which allows for greater bargaining room and a stable source of supply of raw materials at relatively low prices, thus providing the Group with a competitive edge in the product market.

- 5. Favorable and Unfavorable Factors and Countermeasures for the Development Outlook (1) Favorable factors
  - A. Development of the own brand

The Group markets its products worldwide under the "QUASER" brand name, and is well known in the industry for its high quality and service value, which has been awarded the "National Award of Outstanding SMEs", and the excellent brand image has been well established in the public's mind.

B. Outstanding R&D and innovation capabilities

Since the establishment of the Group, we have been actively investing in the R&D resources each year, cultivating R&D personnel, developing high-precision, high-efficiency and automated products, and have earned a number of international certificates and patents as well as gaining a competitive edge in product development; Quaser Machine Tools has also been technically collaborating with major manufacturers in Germany, the U.S., and Japan with an eye to upgrading our technology and strengthening our core competitiveness.

#### C. On-time after-sales services

The Group collaborates with distributors with sales and maintenance capabilities and provides distributors with training and logistic support. In addition, the Group has also established a comprehensive service network in North America, Europe and China by setting up technical centers in the U.S., Germany and China. Together with the local distributors, the Group is able to provide prompt spare parts replacement and consultation services to satisfy the needs of its customers in North America, Europe and China in terms of timely delivery, repairs and various needs.

D. Wide range of domestic and overseas points of sale and sound services.

The Group has established long term and reliable relationships with distributors both domestically and internationally to provide users, distributors and customers with comprehensive support, technical services, machining applications and training centers. The Group has also invested in the establishment of a 5-axis training center to provide training to users, distributors and employees, coupled with the Precision Machinery Research & Development Center and industry-academia cooperation, to satisfy the needs of machining applications, 5-axis machining or multi-face machining.

#### E. Excellent product quality

Over the years, the Group has been adhering to the philosophy of quality, service and efficiency, and has long been committed to the development of machine safety technology, providing machines that comply with safety design standards around the world. Our products have been certified by CE, GB, ISO, UKCA certifications.

F. Vertical labor division between the central plant and third party plants

With the sophisticated centralized network of Taiwan's machine tool industry, Quaser is able to establish a fast supply network through the long-term collaboration with component manufacturers to improve production efficiency and flexibility.

#### (2) Unfavorable factors

- A. The Group's products are mainly exported, and drastic changes in the exchange rate market will pose a greater impact on the Company.
  - a. Devaluation of the Euro

The Group focuses on the European machine tool market. Following the quantitative easing policy led by the European Central Bank, the euro has devalued significantly, which, in addition to currency exchange losses, has also reduced Quaser's price advantage in the European machine tool market.

b. Devaluation of the Japanese Yen

The devaluation of the Japanese yen has resulted in a significant disadvantage for Taiwan's machine tools in terms of price competition.

B. Reliance on foreign suppliers for key components

Key components such as controllers and spindles, are mostly supplied by major German and Japanese manufacturers and account for a high percentage of the cost, rendering the bargaining power relatively less flexible.

#### (3) Countermeasures for unfavorable factors

A. Countermeasures for the exchange rate

The Group's products are mainly exported, particularly in the European market, which is the largest market. Changes in import and export exchange rates will affect the profitability.

- a. Gradually reduce foreign currency inventories to lower the risk of foreign exchange fluctuations.
- b. Increase the ratio of derivative financial instruments (pre-sale of forward foreign exchange) to lower the risk of foreign exchange loss that may arise from future collections.
- c. Establish an internal control system and implement it in a continuous manner.

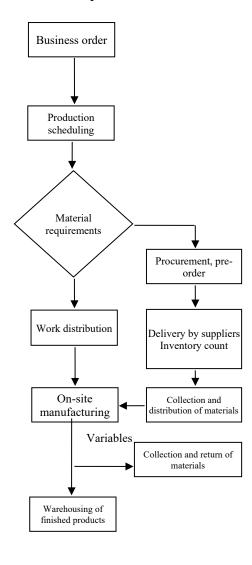
- B. Countermeasures for the reliance on foreign suppliers for key components.
  - a. The Group collaborates with a number of suppliers to diversify its supply sources.
  - b. Reduce procurement costs by bulk procurement.
  - c. Keep strengthening our partnership with German manufacturers and actively seek collaboration with other well-known manufacturers to strengthen our self-manufacturing capabilities and reduce our reliance on the procurement of key components from overseas.
- (2) Important usages and manufacturing processes of major products
  - 1. Important usages of major products

The Company mainly engages in the development, design, production, manufacture and trading of Computer Numerical Control (CNC) machine tools, primarily as metal and non-metal cutting machine tools. The products are widely used in the component processing for machinery, national defense, automotive, aerospace, electronics, molding, and medical industries. The Company's products feature high precision, high rigidity, heavy cutting processing, and the major products are categorized as follows:

| Item | Type                   | Usage                | Applied Industries                                                                          |
|------|------------------------|----------------------|---------------------------------------------------------------------------------------------|
| 1    |                        |                      | Machinery, automotive, electronics, molds, etc.                                             |
| 2    |                        | processing           | Machinery, automotive, aerospace, electronics, molds, etc.                                  |
| 3    |                        | component processing | Machinery, national defense, automotive, aerospace, electronics, molds, medical, etc.       |
| 4    | _                      | _                    | National defense, aerospace, electronics, molds, medical, etc.                              |
| 5    |                        | 1                    | Machinery, national defense, automotive, aerospace, etc.                                    |
| 1 6  |                        | 1 .                  | Machinery, national defense, automotive, aerospace, etc.                                    |
|      | flexible manufacturing |                      | National defense, aerospace, electronics, molds, medical, etc.                              |
| 8    | machine                |                      | Machinery, national defense,<br>automotive, aerospace,<br>electronics, molds, medical, etc. |

#### 2. Production Process

The production process of the Company adopts the production schedule in accordance with the business orders, and the procurement will be proposed upon systematic integration of the material requirements. The production management department will distribute the works in accordance with the production schedule to the production units and the material department for material collection and production. The finished products are then inspected and stored in the warehouse before shipment.



Shipment

#### (3) Supply of key raw materials

The key raw materials for the Company's products are controllers, castings, transmission mechanisms, and sheet metal, all of which are sourced from domestic suppliers of high quality or from well-known overseas manufacturers. The Company works well with all suppliers, and the procurement prices are revised regularly in accordance with the actual global raw material supplies and costs.

| Key<br>Material | Supplier                                        | Source and Quality                                                                                                              |
|-----------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Controller      | Company A, Heidenhain,<br>Company B, Mitsubishi | Manufactured in Japan and Germany, supplied by domestic distributors, with stable quality and supply.                           |
| Casting         | Company E, Company D, Saw<br>Chen               | Made in Taiwan, with stable quality and supply.                                                                                 |
| Spindle         | ABM, Spinder, Company M                         | Manufactured in Japan, Germany or assembled in Taiwan with key components procured from abroad, with stable quality and supply. |
| Ballscrew       | NSK, THK, Hiwin                                 | Stable quality and supply.                                                                                                      |
| Linear guide    | NSK, THK, Hiwin, DS                             | Stable quality and supply.                                                                                                      |
| Metal<br>Sheet  | Chung Inn, Keyarrow, Yifong,<br>Fongei          | Made in Taiwan, with stable quality and supply.                                                                                 |

- (4) The names of customers that accounted for 10% or more of total purchases or sales in any of the two most recent years, the amount and percentage of purchases or sales, and the reasons for any changes.
  - 1. Information on suppliers that accounted for 10% or more of total annual net purchases in any of the past two years:

Unit: NT\$ thousand; %

|          |                      | 2023          |                                                   |                                         |                                                                  |           |                                                   |                                         |
|----------|----------------------|---------------|---------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|-----------|---------------------------------------------------|-----------------------------------------|
| Ite<br>m | Name                 | Amount        | As a percentage of net purchases for the year (%) | Relationship<br>with the<br>distributor | Name                                                             | Amount    | As a percentage of net purchases for the year (%) | Relationship<br>with the<br>distributor |
|          | Suppliers accounting | for more than | 10% of the tota                                   | al amount of no                         | Suppliers accounting for more than 10% of the total amount of no |           |                                                   |                                         |
|          | purchases            |               |                                                   | purchases                               |                                                                  |           |                                                   |                                         |
|          | Net purchase         | 1,830,098     | 100.00                                            |                                         | Net purchase                                                     | 1,235,408 | 100.00                                            |                                         |
| Reas     | ons for change: Nil. |               |                                                   |                                         |                                                                  |           |                                                   |                                         |

2. Names of customers who accounted for more than 10% of the total annual amount net sales in any of the past two years:

Unit: NT\$ thousand; %

|      |            | .2        |                                                         | 2023                              |            |           |                                                         |                                   |
|------|------------|-----------|---------------------------------------------------------|-----------------------------------|------------|-----------|---------------------------------------------------------|-----------------------------------|
| Item | Name       | Amount    | As a percentage of<br>net purchases for<br>the year (%) | Relationship with the distributor | Name       | Amount    | As a percentage of<br>net purchases for<br>the year (%) | Relationship with the distributor |
| 1    | Company TR | 423,598   | 16.39                                                   | Nil                               | Company S  | 425,591   | 15.36                                                   | Nil                               |
| 2    | Company S  | 400,984   | 15.52                                                   | Nil                               | Company G  | 327,900   | 11.83                                                   | Nil                               |
| 3    | Company R  | 270,245   | 10.46                                                   | Nil                               | Company R  | 303,345   | 10.95                                                   | Nil                               |
| 4    | Company G  | 144,288   | 5.58                                                    | Nil                               | Company TR | 136,007   | 4.91                                                    | Nil                               |
|      | Others     | 1,344,842 | 52.05                                                   |                                   | Others     | 1,577,907 | 56.95                                                   |                                   |
|      | Net sales  | 2,583,957 | 100.00                                                  |                                   | Net sales  | 2,770,750 | 100.00                                                  |                                   |

#### (5) Production value for the last two years

Unit: NT\$ thousand

| Year                             | 2022               |                 |                     | 2023                |                |                     |  |
|----------------------------------|--------------------|-----------------|---------------------|---------------------|----------------|---------------------|--|
| Major Product (or by Department) | Capacity<br>(Unit) | Yield<br>(Unit) | Production<br>Value | Capacit<br>y (Unit) | Yield<br>(Unit | Production<br>Value |  |
| Machining center                 | 750                | 462             | 1,293,481           | 750                 | 341            | 1,011,161           |  |
| Aerospace machining center       | -                  | 12              | 135,668             | -                   | 36             | 408,011             |  |

Analysis on the changes: The increase in production volume of aerospace machining centers was mainly due to the recovery of the aerospace industry market.

#### (6) Sales in the last two years

Unit: NT\$ thousand

|                                        |        | 20      | )22      |           | 2023     |         |          |           |
|----------------------------------------|--------|---------|----------|-----------|----------|---------|----------|-----------|
| Year                                   | Dom    | estic   | Overseas |           | Domestic |         | Overseas |           |
| Major Product<br>(or by<br>Department) | Volume | Value   | Volume   | Value     | Volume   | Value   | Volume   | Value     |
| Machining center                       | 49     | 139,891 | 393      | 1,181,549 | 37       | 143,770 | 264      | 948,156   |
| Aerospace machining center             | -      | ı       | 12       | 332,096   | -        | -       | 36       | 722,522   |
| Others (Note)                          | (Note) | 21,894  | (Note)   | 908,527   | (Note)   | 17,483  | (Note)   | 938,819   |
| Total                                  | 49     | 161,785 | 405      | 2,422,172 | 37       | 161,253 | 300      | 2,609,497 |

Note: The revenue from components and technical services was not disclosed due to different measurement units.

Analysis on the changes: It was mainly due to the recovery of the aerospace industry market, sales rebound and the appreciation of the EUR/USD exchange rate.

## 3. Employee Information for the Past Two Years and as of the Publication of the Annual Report

|                | Year                   | 2022   | 2023   | As of April 11, 2024 |
|----------------|------------------------|--------|--------|----------------------|
|                | Management             | 52     | 49     | 48                   |
| Number         | Business               | 17     | 17     | 17                   |
| of             | Production             | 48     | 51     | 51                   |
| Employ         | Technician             | 22     | 22     | 22                   |
| Elliploy       | After-sales service    | 12     | 13     | 13                   |
| ees            | Quality Assurance      | 17     | 18     | 18                   |
|                | Total                  | 168    | 170    | 169                  |
|                | Average age            | 41.4   | 41.9   | 41.9                 |
| Ave            | erage years of service | 10.8   | 10.8   | 11.1                 |
|                | Ph.D                   | _      | _      | _                    |
| Academ         | Master's degree        | 1.78%  | 1.18%  | 1.18%                |
| ic<br>Distribu | College                | 70.24% | 71.76% | 71.6%                |
| tion           | High school            | 25%    | 24.12% | 24.26%               |
|                | Below high school      | 2.98%  | 2.94%  | 2.96%                |

#### 4. Environmental Expenditure Information

Information on Environmental Safety and Health:

- (1) Environmental safety and health performance
  - 1. Dajia plant, the operating headquarter, was certified in 2015 for ISO 14001: 2015 environmental management system, and has been certified periodically with the latest certification valid until December 11, 2026.
  - 2. Dajia plant, the operating headquarter, was certified in 2015 by ISO 90001: 2015 quality management system and has been certified periodically with the latest certification will be valid until December 11, 2026.
  - 3. Dajia plant, the operating headquarter, was hazard-free in 2023 (333,936 cumulative hours without incapacitating injuries).
  - 4. Dajia plant, the operating headquarter, obtained ISO 14064-1:2018 in 2022, as well as an external certification of GHG emissions information for the year 2021.
  - 5. Dajia plant, the operating headquarter, obtained ISO 14064-1:2018 in 2023, as well as an external certification of GHG emissions information for the year 2022.
  - 6. Winbro's U.S. plant was certified ISO 3485: 2016 medical device quality management system in 2023, with the latest certification valid until August 23, 2026.
  - 7. Winbro's U.S. plant was certified through the NADCAP non-conventional processing certification in 2023 and has been certified periodically, with the latest certification valid until May 31, 2025.
- (2) Water resources and wastewater management
  - 1. Dajia's plant is equipped with wastewater treatment facilities, which discharges the treated wastewater to the sewers in the industrial area after meeting the discharge standard.
  - 2. The Company has applied for permits for water pollution prevention measures in accordance with the law, and appoints accredited testing institutions by the Ministry of Environment to conduct monthly inspections of wastewater discharges at the plant in order to effectively monitor the quality of discharges on a regular basis. The wastewater discharges in 2023 were in compliance with the standards.
  - 3. Regular drills are conducted annually in accordance with the wastewater

treatment procedures to minimize the impact caused by wastewater treatment anomalies on the environment.

#### (3) Waste management

The Company's wastes mainly consist of domestic garbage and general production wastes, which are disposed of by means of recycling and reuse, direct disposal (incineration and landfill), and outsourced removal services.

#### (4) Energy management and reduction

In 2023, the Company conducted a GHG inventory and obtained an opinion letter from the Precision Machinery Research Development Center. GHG emissions:

The Company's inventory covered the Dajia site and the information on GHG emissions for each year is as follows:

| Emissions (metric tons) | 2021   | 2022   | 2023 (Self-calculated) |
|-------------------------|--------|--------|------------------------|
| Scope 1                 | 179.79 | 126.70 | 124.31                 |
| Scope 2                 | 808.29 | 801.60 | 736.66                 |
| Total                   | 988.08 | 928.3  | 860.97                 |

Annual inventories will be conducted on an ongoing basis to facilitate the establishment of reduction goals and strategies.

Total amount of losses (including compensation) and penalties incurred as a result of environmental pollution, as well as future countermeasures (including improvement measures) and possible expenditures (including the estimated amount of losses, penalties and compensation that may occur if no countermeasures are taken, and if it is not possible to reasonably estimate the amount of losses, penalties and compensation, an explanation should be provided as to why it is not possible to reasonably estimate such amounts): Nil.

#### 5. Labor Relations

- (1) List out the Company's various employee welfare measures, continuing education, training, and retirement systems and their implementation, as well as the agreements between labor and management and various measures to protect the rights and interests of employees.
  - 1. Various employee welfare measures and their implementation

The Company regards its employees as important assets. In order to pursue the sustainable operation of the Company, the Company has always been committed to the harmony between employers and employees and emphasizes on the welfare of the employees, and has established various generous employee welfare measures to promote the loyalty of the employees and achieve mutual existence and prosperity between the Company and the employees. Ever since the establishment of the Company, we have been regarding our employees as the greatest asset of the Company. Through a fair and open recruitment strategy, we have been implementing the spirit of the Gender Equality Act, whereby all employees are treated equally regardless of gender, religion, race, or political party, respecting all talents, employing people with physical and mental disabilities, and optimizing the sustainable development of the Company, as well as collaborating with various universities and colleges in organizing industryacademia collaborations and corporate visits to recruit talents from various sources. The comprehensive welfare system provided by the Company is as follows:

| Welfare measures                                       | Implementation status                                                                                                                                                                                                                                                      |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance/medical coverage                             | The Company has taken out labor insurance and national health insurance in accordance with the law, so that each employee is adequately covered. In addition, we have increased the coverage of group insurance for employees and travel insurance for business travelers. |
| Marriage and funeral subsidies                         | In order to improve the welfare of employees, the Company provides wedding gifts and condolence payments for the loss of family members, with eight recipients in the year 2023.                                                                                           |
| Festival and birthday gifts                            | A total of NT\$1.93 million was granted in 2023 for festival and birthday gifts.                                                                                                                                                                                           |
| Maternity, hospitalization and home purchase subsidies | A total of 11 people claimed maternity and hospitalization subsidies in 2023.                                                                                                                                                                                              |
| Employee bonus                                         | The Company, in case of profitability, will appropriate no less than 5.52% as employee compensation to allow both employees and employers in sharing the business results.                                                                                                 |
| Parental leave without pay                             | There was one employee who applied for parental leave without pay in 2023, and the actual number of reinstatement was one.                                                                                                                                                 |
| Domestic and overseas travel subsidy                   | The amount subsidized for domestic travel was NT\$460,000 in 2023.                                                                                                                                                                                                         |
| Paid volunteer leave                                   | A total of 117 people applied for paid volunteer leave in 2023.                                                                                                                                                                                                            |
| Employee stock ownership trusts                        | The Company implements profit-sharing by providing incentives equal to the amount of employee deposits, and a total of NT\$1,380,000 was appropriated in 2023 as incentives.                                                                                               |
| Long service bonus for employees                       | In recognition of the long-term contributions of employees who have completed a certain number of years of service, a total of NT\$240,000 of long service bonus was granted in 2023.                                                                                      |
| Employee canteen                                       | The Company provides free Chinese food and free dinner for those who work overtime.                                                                                                                                                                                        |
| Others                                                 | Employee uniforms, employee parking, sports tournament prizes, and dinner party subsidies.                                                                                                                                                                                 |

#### 2. Employees' continuing education and training

The Company provides training for new employees to facilitate their understanding of the Company's product positioning and future development, and to assist them in starting their careers as soon as possible. For on-the-job training, each department arranges external or internal education and training courses on a regular or irregular basis in accordance with actual needs to enhance the professional skills of employees.

In terms of management talent cultivation, we have established a learning system in accordance with the functional development of each level of supervisors. In terms of succession planning for key management personnel, we also conduct regular talent readiness inventories and prepare individual development plans in accordance with the strengths and weaknesses of these personnel, which include online courses, project assignments, strategic rotations, and group function exercises, as well as regular English language courses in line with the globalization of the Group's business that require our management executives to improve their English language proficiency.

For employees who wish to continue their education in obtaining degrees or licenses, we offer a subsidy program to encourage them to pursue continuing education and maintain their competitive edge.

#### 3. Retirement system and its implementation

In order to fulfill the needs of our employees after retirement, the Company

has established the following labor retirement plans in accordance with the law.

- (1) Labor pension fund (the old fund)
  In accordance with the Labor Standards Act, a monthly pension fund of 4% of the total salary cost should be appropriated and deposited in the Bank of Taiwan to protect the rights and interests of laborers. The accumulated amount has reached NT\$42,253 thousand by the end of 2023.
- (2) Labor pension fund (the new fund)
  On July 1, 2005, the Company has started the parallel adoption of the Labor Pension Act, under which 6% of the employee's monthly salary should be contributed to the employee's individual pension account according to the employee's insurance coverage; for those who choose to make voluntary contributions to the pension fund, the amount will be deducted from the employee's monthly salary to the employee's individual pension account in the Bureau of Labor Insurance based on the rate of voluntary contributions. The Company's contribution to the new pension fund for 2023 was approximately NT\$6,734 thousand.

The Company's applicable provisions of the Labor Pension Act are as follows:

- (1) Voluntary retirement: A worker may apply for voluntary retirement under any of the following conditions: (For those who opt to adopt the Labor Pension Act, the same regulations shall apply)
  - (a) Where the worker attains the age of fifty-five and has worked for fifteen years.
  - (b) Where the worker has worked for more than twenty-five years.
  - (c) Where the worker attains the age of sixty and has worked for ten years.
- (2) Forced retirement: An employer shall not force a worker to retire unless any of the following situations has occurred:
  - (a) Where the worker attains the age of sixty-five.
  - (b) Where the worker is unable to perform his/her duties due to disability. The Company may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below fifty-five.
- 4. Labor-management agreements and measures to protect employees' rights and interests

The Company is people-oriented and values the well-being of its employees. Regular labor-management meetings are held for two-way communication to facilitate labor-management relations, improve labor conditions, and promote employee welfare, etc. To date, the Company's labor-management relations have been harmonious and there have been no disputes between employees and employers.

The Company has established related human resources management rules to ensure that employees are aware of their rights and should comply with the code of conduct. In addition, the Company has also established a Human Resource Review Committee to which employees may address any concerns about their rights and interests.

5. Code of conduct or ethical behavior of employees
In order to clarify regulations governing the rights and obligations of employers

and employees, and to maintain the workplace's order of employment, "Work Rules" have been established in accordance with the law, and have been approved by the competent authorities and publicly disclosed, so as to ensure that the management of the Company's employees. The Work Rules clearly stipulate the appointment and reassignment of employees, working hours, salaries, discipline, rewards and penalties, dismissal, severance with pay, retirement, training, appraisal, and welfare measures. The Company has always been committed to integrity, transparency and accountability in its business activities. In order to fulfill the Company's business philosophy and core values, we have established the "Ethical Management Best Practice Principles" to guide our directors, managers and all employees to act in accordance with ethical standards, to comply with all laws and regulations, and strictly prohibits the offer or acceptance of bribes and the offer or acceptance of improper advantages. We are committed to upholding the principle of honesty and integrity, preventing conflicts of interest, and preventing opportunities for self-gain.

- 6. Employee safety and workplace protection measures and their implementation Regarding the management and supervision of employee safety and health, the Occupational Safety and Health Management Unit is responsible for preventing occupational hazards and ensuring the safety of the work environment for employees through the following protective measures:
  - (1) Adhere to the Occupational Safety and Health Management Policy and emphasize on safety records and healthy environment, provide safe and healthy working conditions and operating environment for employees and those who may be affected, and prevent injuries and health impacts that may be caused by the works.
  - (2) Conduct safety and health education and training for new recruits and existing employees in accordance with the Occupational Safety and Health Act.
  - (3) Eliminate hazards and reduce occupational safety and health risks, and conduct risk assessments on safety, health, and environment in accordance with the requirements of the Occupational Safety and Health Management System, so as to provide employees with a safe and healthy working environment, as well as to carry out health management and health promotion for employees.
  - (4) 24-hour security guards are stationed in the work area to safeguard the company's property and personnel.
  - (5) Provide free health checkups for employees, and set up a medical room and health care personnel to provide assistance to employees in health promotion and health management.
  - (6) Provide regular training to employees on firefighting, first aid, and evacuation in accordance with the Fire Services Act and its enforcement rules.
- (2) Losses incurred as a result of labor disputes for the most recent year and up to the publication date of the annual report, as well as disclosure on the estimated amount and measures to be taken to deal with such losses that may be incurred in the present and in the future, and, if they are not able to be reasonably estimated, the reasons for such inability to be reasonably estimated: Nil.

#### 6. Information Security Management

Information security management is regarded as one of the most important risks in the management and governance of the Company. In order to fulfill its responsibility of information protection to customers, suppliers and employees, the Company has established various information security systems and tools to

achieve this goal. by the end of 2023, the Company has appointed an information security supervisor and a dedicated staff to constantly promote the goals and policies of information security.

(1) Information security risk management framework:

The Company's information security supervisor and dedicated personnel are responsible for the planning, execution, and promotion of information security management issues, promoting information security awareness, with senior executives participating in the supervision and reporting the status of information security management to the Chairman from time to time, as well as incorporating information-related regulations into the control and management rules and regulations, with the Board of Directors as the decision-making level. The Audit Office conducts regular annual reviews to ensure the confidentiality, integrity, availability, and legality of information assets. If deficiencies are found, the unit in question should be required to propose an improvement plan and report it to the Board of Directors, and the effectiveness of such improvement should be tracked on a regular basis in order to lower internal information security risks.

- (2) Information security policies:
  - 1. Ensure the continuous operation of all information systems
  - 2. Protect against hackers and viruses
  - 3. Prevent wrongful and unlawful use with intent
  - 4. Prevent sensitive data leakage
  - 5. Prevent man-made errors and accidents
  - 6. Maintain the safety of the physical environment
- (3) Management plans for information security
  - 1. Security management of computing equipment
    - (1) The Company's system servers are located in a dedicated server room, and access to the server room is controlled and recorded.
    - (2) Independent air-conditioning is provided inside the server room to keep the system servers operating in a proper temperature environment, and chemical fire extinguishers are installed, which can be used for common fires or fires caused by electrical appliances.
    - (3) In order to prevent the system from crashing due to unexpected power outages, or temporary power outages that will not interrupt the operation of computer applications, the server room is equipped with uninterruptible power supply and voltage stabilizing equipment, and power outage simulation drills and tests are performed regularly to ensure the proper functioning of the equipment.

#### 2. Network safety management

- (1) The connection to the external network is equipped with an enterprise-grade firewall to block hackers' unauthorized access and to prevent internal bandwidth resources from being exploited.
- (2) Remote access to the Company's intranet is conducted by means of a VPN encrypted connection, and a VPN account must be applied for through the Company's internal system authority application procedure before being allowed to log in and access to the system,

- and logs will be kept for tracking and auditing purposes.
- (3) The internet behavior management and filtering devices are configured to control internet access, blocking access to harmful or impermissible network addresses and content, preventing the inappropriate leakage of sensitive data, and strengthening network security.
- (4) Implement physical network traffic control to separate the network lines used by guests and employees, and set up IPMAC control to prevent non-company devices from connecting to the company's network.

#### 3. Virus protection and management

- (1) Endpoint protection software is installed on servers and employee computers. The virus logics are automatically updated to ensure that the latest viruses are being blocked, and potentially threatening system executables are detectable and prevented from being installed, with automatic scans being performed on a regular basis at fixed times of the week.
- (2) The email server is equipped with Anti-Spam and Anti-Virus dual protection filtering mechanism to block viruses, spam and suspicious emails.

#### 4. System access control

- (1) Employees are required to apply for system authority through the Company's internal procedures, and after approval by the supervisor, the information staff will create system accounts and authorize them according to the authority applied for by the system administrators before they are allowed to access the system applications.
- (2) Passwords for accounts are required to be of appropriate strength, number of characters, and a mixture of alphanumeric characters and special symbols before they can be approved.
- (3) Upon resignation (leave) of an employee, the information staff shall delete his/her system account as notified by the human resources department.

#### 5. Ensure the continuity of the system

- (1) System backup: A backup system is set up with a daily backup mechanism and an alternate storage area for each backup data to ensure the security of the system and data.
- (2) Disaster recovery drills: Regularly implement backup recovery drills to verify that the data recovered matches the point in time to ensure the accuracy and validity of the backup data.
- (3) Establish information security verification items and execute them on a regular basis to maintain the effective operation of the information security management system and the implementation of control procedures.

#### 6. Information security promotion and training

(1) Reminders: Regularly issue reminders to employees to change system passwords with a certain level of complexity in order to safeguard their accounts.

- (2) Information security promotion: Information security news and important events are published monthly to raise employees' awareness of information security.
- (4) Investing in software and hardware for security management
  - 1. Regularly evaluate and update information security related equipment and systems, with automated information security monitoring and notification mechanisms, and have dedicated personnel to handle immediate backup to achieve emergency blocking and preventive measures.
  - 2. Perform whole-network vulnerability scans and information security framework fortification.
    - (1) The Company commissioned an external professional security service provider to conduct a vulnerability scan of its internal network in August.
    - (2) Based on the results of vulnerability scanning, the information staff conducted network security enhancement and evaluated the acquisition of additional software, hardware and equipment to fortify the protection.
  - 3. Employee training and promotion
    - (1) Monthly information security news and important events are selected and published on the information security bulletin to promote information security throughout the Company.
    - (2) Information security education training for staff was completed in mid-November.
  - 4. Social engineering drill

In order to raise employees' awareness of the awareness of risky emails, a simulated malicious email drill was completed in November to raise the awareness of the tested employees regarding information security.

(5) Losses, potential impacts, and countermeasures resulting from significant information security incidents for the most recent year and up to the date of the annual report, and if they are not able to be reasonably estimated, the reasons for such inability to be reasonably estimated: Nil.

7. Important Contracts

| Contract Type               | Counterparty                                                               | Contract Start and Ending Dates                                                                                              | Main Contents        | Terms and Conditions    |
|-----------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------|
| Technological collaboration | Company M<br>(Japan)                                                       | Effective from February 28, 2012, the counterparty should be notified three months prior to the termination of the contract. | OEM<br>collaboration | Confidentiality         |
| Technological collaboration | Company M<br>(Sweden)                                                      | Effective from October 2022, the counterparty should be notified six months prior to the termination of the contract.        | OEM<br>collaboration | Confidentiality         |
| Borrowing contract          | Bank groups such as Taishin International Bank and other syndicate lenders | Loan amount of NT\$1,290,000,000 with a term of five years from the initial utilization date.                                | Syndicate loan       | Restriction on solvency |

#### VI. Financial Overview

## 1. Condensed Balance Sheet and Consolidated Income Statement for the Past Five Years

- (1) Condensed balance sheet and consolidated income statement
  - 1. Condensed balance sheet

International Financial Reporting Standards (Consolidated)

Unit: NT\$ thousand

|                        |                                             | Onic. 1419 thousand                           |           |           |           |                     |  |  |
|------------------------|---------------------------------------------|-----------------------------------------------|-----------|-----------|-----------|---------------------|--|--|
|                        | Year                                        | Financial information for the last five years |           |           |           |                     |  |  |
| Item                   |                                             | 2019                                          | 2020      | 2021      | 2022      | 2023                |  |  |
| Current ass            | sets                                        | 2,638,978                                     | 2,205,989 | 2,417,325 | 2,681,717 | 2,674,709           |  |  |
| Property, p equipment  | lant and                                    | 861,510                                       | 665,437   | 553,035   | 476,307   | 427,899             |  |  |
| Right-of-us            | se assets                                   | 265,301                                       | 206,872   | 166,479   | 149,684   | 126,048             |  |  |
| Intangible             | assets                                      | 745,655                                       | 494,127   | 464,712   | 486,653   | 463,403             |  |  |
| Other asset            | ES                                          | 49,942                                        | 167,744   | 145,866   | 114,487   | 139,202             |  |  |
| Total asset            | S                                           | 4,561,386                                     | 3,740,169 | 3,747,417 | 3,908,848 | 3,831,261           |  |  |
| Current                | Before distribution                         | 1,964,585                                     | 1,061,420 | 2,039,055 | 2,175,827 | 1,320,984           |  |  |
| liabilities            | After distribution                          | 1,964,585                                     | 1,061,420 | 2,039,055 | 2,175,827 | Not yet distributed |  |  |
| Non-currer             | nt liabilities                              | 1,261,977                                     | 1,357,137 | 607,443   | 450,169   | 1,089,977           |  |  |
| Total                  | Before distribution                         | 3,226,562                                     | 2,418,557 | 2,646,498 | 2,625,996 | 2,410,961           |  |  |
| liabilities            | After distribution                          | 3,226,562                                     | 2,418,557 | 2,646,498 | 2,625,996 | Not yet distributed |  |  |
| 1 2                    | Equity attributable to parent company owner |                                               | 1,321,612 | 1,100,919 | 1,282,852 | 1,420,300           |  |  |
| Capital s              | tock                                        | 449,500                                       | 549,500   | 549,500   | 549,500   | 549,500             |  |  |
| Capital r              | eserve                                      | 570,589                                       | 880,109   | 880,109   | 880,109   | 820,363             |  |  |
| Retained               | Before<br>ddistribution                     | 287,063                                       | (66,419)  | (250,923) | (136,598) | 35,351              |  |  |
| earnings               | After distribution                          | 287,063                                       | (66,419)  | (250,923) | (136,598) | Not yet distributed |  |  |
| Other equity           |                                             | 27,672                                        | (41,578)  | (77,767)  | (10,159)  | 15,086              |  |  |
| Treasury stock         |                                             | _                                             |           | _         |           |                     |  |  |
| Non-controlling equity |                                             | _                                             | _         | _         | _         | _                   |  |  |
| Total<br>equity        | Before distribution                         | 1,334,824                                     | 1,321,612 | 1,100,919 | 1,282,852 | 1,420,300           |  |  |
|                        | After distribution                          | 1,334,824                                     | 1,321,612 | 1,100,919 | 1,282,852 | Not yet distributed |  |  |

# International Financial Reporting Standards (Individual) Unit: NT\$ thousand

|                          |                       | 1                                             |           |           | Omi. Nip  |                        |  |
|--------------------------|-----------------------|-----------------------------------------------|-----------|-----------|-----------|------------------------|--|
|                          | Year                  | Financial information for the last five years |           |           |           |                        |  |
| Item                     |                       | 2019                                          | 2020      | 2021      | 2022      | 2023                   |  |
| Current asset            | ts                    | 1,706,718                                     | 1,326,908 | 1,549,461 | 1,625,016 | 1,404,234              |  |
| Property, pla equipment  | nt and                | 185,389                                       | 166,884   | 153,677   | 147,349   | 167,122                |  |
| Right-of-use             | assets                | 10,252                                        | 5,031     | 3,400     | 5,126     | 8,275                  |  |
| Intangible as            | sets                  | 3,767                                         | 7,801     | 7,427     | 6,397     | 5,581                  |  |
| Other assets             |                       | 2,052,471                                     | 1,736,950 | 1,481,417 | 1,525,960 | 1,732,763              |  |
| Total assets             |                       | 3,958,597                                     | 3,243,574 | 3,195,382 | 3,309,848 | 3,317,975              |  |
| Current                  | Before distribution   | 1,609,695                                     | 740,493   | 1,632,856 | 1,681,942 | 933,470                |  |
| liabilities              | After distribution    | 1,609,695                                     | 740,493   | 1,632,856 | 1,681,942 | Not yet<br>distributed |  |
| Non-current              | liabilities           | 1,014,078                                     | 1,181,469 | 461,607   | 345,054   | 964,205                |  |
| Total                    | Before distribution   | 2,623,773                                     | 1,921,962 | 2,094,463 | 2,026,996 | 1,897,675              |  |
| liabilities              | After distribution    | 2,623,773                                     | 1,921,962 | 2,094,463 | 2,026,996 | Not yet distributed    |  |
| Equity attriparent compa | ibutable to any owner | 1,334,824                                     | 1,321,612 | 1,100,919 | 1,282,852 | 1,420,300              |  |
| Capital sto              | ck                    | 449,500                                       | 549,500   | 549,500   | 549,500   | 549,500                |  |
| Capital res              | erve                  | 570,589                                       | 880,109   | 880,109   | 880,109   | 820,363                |  |
| Retained                 | Before distribution   | 287,063                                       | (66,419)  | (250,923) | (136,598) | 35,351                 |  |
|                          | After<br>distribution | 287,063                                       | (66,419)  | (250,923) | (136,598) | Not yet<br>distributed |  |
| Other equity             |                       | 27,672                                        | (41,578)  | (77,767)  | (10,159)  | 15,086                 |  |
| Treasury stock           |                       | _                                             |           |           |           |                        |  |
| Non-controlling equity   |                       | _                                             | _         | _         | _         | _                      |  |
| Total equity             | Before distribution   | 1,334,824                                     | 1,321,612 | 1,100,919 | 1,282,852 | 1,420,300              |  |
|                          | After distribution    | 1,334,824                                     | 1,321,612 | 1,100,919 | 1,282,852 | Not yet distributed    |  |
|                          | •                     |                                               |           |           |           |                        |  |

## 2. Condensed consolidated income statement <u>International Financial Reporting Standards (Consolidated)</u>

Unit: NT\$ thousand; EPS: NT\$

|                                                                   |                                               |           | OIII. IV  | 15 thousand; | ΕΙΟΙΙΙΨ   |  |
|-------------------------------------------------------------------|-----------------------------------------------|-----------|-----------|--------------|-----------|--|
| Year                                                              | Financial information for the last five years |           |           |              |           |  |
| Item                                                              | 2019                                          | 2020      | 2021      | 2022         | 2023      |  |
| Operating revenue                                                 | 1,915,076                                     | 2,094,089 | 2,022,548 | 2,583,957    | 2,770,750 |  |
| Gross profit                                                      | 344,747                                       | 311,593   | 382,970   | 653,945      | 776,670   |  |
| Operating income                                                  | (81,042)                                      | (230,162) | (105,573) | 64,381       | 209,088   |  |
| Non-operating income and expenses                                 | (30,999)                                      | (207,166) | (51,238)  | 78,252       | (24,498)  |  |
| Net income (loss) before tax                                      | (112,041)                                     | (437,328) | (156,811) | 142,633      | 184,590   |  |
| Net income (loss) of continuing business units                    | (90,831)                                      | (352,551) | (184,856) | 108,881      | 110,993   |  |
| Income of suspended business unit                                 | _                                             | _         | _         | _            | _         |  |
| Net income (loss)                                                 | (90,831)                                      | (352,551) | (184,856) | 108,881      | 110,993   |  |
| Other comprehensive income, net of tax                            | 36,566                                        | (70,181)  | (35,837)  | 73,052       | 26,455    |  |
| Total comprehensive income                                        | (54,265)                                      | (422,732) | (220,693) | 181,933      | 137,448   |  |
| Net income (loss) attributable to parent company owner            | (90,831)                                      | (352,551) | (184,856) | 108,881      | 110,993   |  |
| Net income attributable to non-controlling equity                 | _                                             | _         | _         | _            | _         |  |
| Total comprehensive income attributable to parent company owner   | (54,265)                                      | (422,732) | (220,693) | 181,933      | 137,448   |  |
| Total comprehensive income attributable to non-controlling equity | _                                             | _         | _         | _            | _         |  |
| Earnings per share                                                | (2.23)                                        | (6.70)    | (3.36)    | 1.98         | 2.02      |  |

### International Financial Reporting Standards (Individual)

Unit: NT\$ thousand; EPS: NT\$

| Unit: N15 thousand; EPS: N15                                      |                                               |           |           |           |           |  |
|-------------------------------------------------------------------|-----------------------------------------------|-----------|-----------|-----------|-----------|--|
| Year                                                              | Financial information for the last five years |           |           |           |           |  |
| Item                                                              | 2019                                          | 2020      | 2021      | 2022      | 2023      |  |
| Operating revenue                                                 | 1,649,902                                     | 803,929   | 1,149,692 | 1,622,274 | 1,310,822 |  |
| Gross profit                                                      | 264,293                                       | 154,316   | 180,691   | 267,792   | 271,987   |  |
| Operating income                                                  | (35,897)                                      | (52,089)  | (15,936)  | 55,133    | 87,976    |  |
| Non-operating income and expenses                                 | (77,517)                                      | (392,227) | (136,284) | 83,721    | 49,586    |  |
| Net income (loss) before tax                                      | (113,414)                                     | (444,316) | (152,220) | 138,854   | 137,562   |  |
| Net income (loss) of continuing business units                    | (90,831)                                      | (352,551) | (184,856) | 108,881   | 110,993   |  |
| Income of suspended business unit                                 | _                                             | _         | _         |           |           |  |
| Net income (loss)                                                 | (90,831)                                      | (352,551) | (184,856) | 108,881   | 110,993   |  |
| Other comprehensive income, net of tax                            | 36,566                                        | (70,181)  | (35,837)  | 73,052    | 26,455    |  |
| Total comprehensive income                                        | (54,265)                                      | (422,732) | (220,693) | 181,933   | 137,448   |  |
| Net income (loss) attributable to parent company owner            | (90,831)                                      | (352,551) | (184,856) | 108,881   | 110,993   |  |
| Net income attributable to non-controlling equity                 | _                                             | _         | _         |           |           |  |
| Total comprehensive income attributable to parent company owner   | (54,265)                                      | (422,732) | (220,693) | 181,933   | 137,448   |  |
| Total comprehensive income attributable to non-controlling equity | _                                             | _         | _         | _         | _         |  |
| Earnings per share                                                | (2.23)                                        | (6.70)    | (3.36)    | 1.98      | 2.02      |  |

(2) Auditing CPAs and audit opinions in the past five years

| Year | Name of Accounting Firm | Name of CPA   | Audit Opinion |
|------|-------------------------|---------------|---------------|
|      |                         | Tseng, Tung-  | Unqualified   |
| 2019 | Deloitte                | Yun Su, Ting- | opinion       |
|      |                         | Chien         |               |
|      |                         | Tseng, Tung-  | Unqualified   |
| 2020 | Deloitte                | Yun Su, Ting- | opinion       |
|      |                         | Chien         |               |
|      |                         | Wu, Chun-     | Unqualified   |
| 2021 | KPMG                    | Yuan · Chang, | opinion       |
|      |                         | Tzu-Hsin      |               |
|      |                         | Wu, Chun-     | Unqualified   |
| 2022 | KPMG                    | Yuan · Chang, | opinion       |
|      |                         | Tzu-Hsin      |               |
|      |                         | Wu, Chun-     | Unqualified   |
| 2023 | KPMG                    | Yuan · Chang, | opinion       |
|      |                         | Tzu-Hsin      |               |

#### 2. Financial Analysis for the last Five Years

International Financial Reporting Standards (Consolidated)

|                       | Year                                                         | Financial analysis for the past five years |          |          |        |        |
|-----------------------|--------------------------------------------------------------|--------------------------------------------|----------|----------|--------|--------|
| Item (N               | Item (Note)                                                  |                                            | 2020     | 2021     | 2022   | 2023   |
| Finan                 | Debt to asset ratio (%)                                      | 70.74                                      | 64.66    | 70.62    | 67.18  | 62.93  |
| cial<br>struct<br>ure | Long term capital to property, plant and equipment ratio (%) | 301.42                                     | 402.55   | 308.91   | 363.85 | 586.65 |
| G 1                   | Current ratio (%)                                            | 134.33                                     | 207.83   | 118.55   | 123.25 | 202.48 |
| Solve                 | Quick ratio (%)                                              | 73.28                                      | 132.42   | 68.30    | 66.00  | 117.04 |
| ncy                   | Interest coverage ratio                                      | (605.15)                                   | (897.01) | (357.51) | 526.42 | 595.38 |
|                       | Receivable turnover rate (times)                             | 3.44                                       | 3.33     | 3.89     | 5.17   | 4.48   |
|                       | Average cash collection day                                  | 106.10                                     | 109.60   | 93.83    | 70.60  | 81.47  |
| 0                     | Inventory turnover rate (times)                              | 1.45                                       | 1.67     | 1.67     | 1.63   | 1.63   |
| Oper ating            | Payable turnover rate (times)                                | 7.65                                       | 8.67     | 6.85     | 7.78   | 10.46  |
| capac                 | Days sales outstanding                                       | 251.72                                     | 218.56   | 218.56   | 223.93 | 223.92 |
| ity                   | Property, plant and equipment turnover rate (times)          | 3.57                                       | 2.74     | 3.32     | 5.02   | 6.13   |
|                       | Total asset turnover rate (times)                            | 0.56                                       | 0.50     | 0.54     | 0.67   | 0.72   |
|                       | Return on assets (%)                                         | (2.28)                                     | (7.65)   | (4.21)   | 3.54   | 3.64   |
| Profit                | Return on equity (%)                                         | (6.91)                                     | (26.54)  | (15.26)  | 9.14   | 8.21   |
| abilit                | Pre-tax net profit to paid-in capital ratio (%)              | (24.93)                                    | (79.59)  | (28.54)  | 25.96  | 33.59  |
| У                     | Net profit ratio (%)                                         | (4.74)                                     | (16.84)  | (9.14)   | 4.21   | 4.01   |
|                       | Earnings per share (NT\$)                                    | (2.23)                                     | (6.70)   | (3.36)   | 1.98   | 2.02   |
|                       | Cash flow ratio (%)                                          | (3.85)                                     | 34.36    | 8.73     | 8.03   | 8.75   |
| Cash<br>flow          | Cash flow adequacy ratio (%)                                 | 11.24                                      | 27.26    | 25.16    | 33.70  | 39.70  |
|                       | Cash reinvestment ratio (%)                                  | (8.13)                                     | 12.91    | 8.84     | 8.05   | 3.71   |
| Lever                 | Operating leverage                                           | 0.29                                       | 0.05     | -        | 4.14   | 1.78   |
| age                   | Financial leverage                                           | 0.84                                       | 0.84     | 0.75     | 2.08   | 1.22   |

Reasons for changes of over 20% in financial ratios over the past two years: (May be exempted from the analysis if the change is less than 20%.)

- 1. The increase in long term capital to property, plant and equipment ratio was mainly due to the increase in shareholders' equity as a result of profit growth.
- 2. The increase in current ratio and quick ratio was mainly due to the decrease in current liabilities as a result of the decrease in short-term borrowings.
- 3. The increase in payable turnover rate was mainly due to the decrease in average balance payable during the year.
- 4. The increase in property, plant and equipment turnover rate was mainly due to the increase in sales revenue during the year.
- 5. The increase in pre-tax net profit to paid-in capital ratio was mainly due to the increase in pre-tax net profit for the year.
- 6. The decrease in cash reinvestment ratio was mainly due to the decrease in net cash flows from operations during the year.
- 7. The decrease in operating leverage and financial leverage was mainly due to the increase in operating profit.

Note: The financial ratios are calculated as follows:

- 1. Financial structure
  - (1) Debt to asset ratio = total liabilities / total assets
  - (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/ net property, plant and equipment
- 2. Solvency
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio = (current assets inventory prepaid expenses) / current liabilities
  - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.
- 3. Operating capacity
  - (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate= net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
  - (2) Average cash recovery day = 365 / receivables turnover rate
  - (3) Inventory turnover rate = sales cost / average inventory
  - (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
  - (5) Days sales outstanding = 365 / inventory turnover rate
  - (6) Property, plant and equipment turnover rate = net sales / net average property, plant and equipment value
  - (7) Total asset turnover rate = net sales / average total assets

#### 4.Profitability

- (1) Return on assets = [after tax profit and loss + interest expense  $\times$  (1 tax rate)] / average total assets
- (2) Return on equity = after tax profit and loss / average equity
- (3) Net profit rate = after tax profit and loss / net sales
- (4) Earnings per share = (profit or loss attributable to parent company owner preferred stock dividend) /weighted average number of issued shares

#### 5.Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years /(capital expenditure + inventory increase + cash dividend) in the last five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)

#### 6.Leverage:

- (1) Operating leverage = (net operating income changing operating costs and expenses) / operating profit
- (2) Financial leverage = operating profit / (operating profit interest expense)

### International Financial Reporting Standards (Individual)

|               | Year                                                         | Financial analysis for the past five years |            |          |          |          |  |  |
|---------------|--------------------------------------------------------------|--------------------------------------------|------------|----------|----------|----------|--|--|
| Item (Note)   |                                                              | 2019                                       | 2020       | 2021     | 2022     | 2023     |  |  |
|               | Debt to asset ratio (%)                                      | 66.28                                      | 59.25      | 65.55    | 61.24    | 57.19    |  |  |
| al            | Long term capital to property, plant and equipment ratio (%) | 1,267.01                                   | 1,499.89   | 1,016.76 | 1,104.80 | 1,426.80 |  |  |
| C - 1         | Current ratio (%)                                            | 106.03                                     | 179.19     | 94.89    | 96.62    | 150.43   |  |  |
| Solven<br>cy  | Quick ratio (%)                                              | 70.86                                      | 119.55     | 52.71    | 55.73    | 90.01    |  |  |
| Су            | Interest coverage ratio                                      | (654.73)                                   | (1,203.55) | (443.43) | 595.77   | 524.36   |  |  |
|               | Receivable turnover rate (times)                             | 2.90                                       | 2.14       | 4.82     | 4.56     | 3.13     |  |  |
|               | Average cash collection day                                  | 125.86                                     | 170.56     | 75.73    | 80.04    | 116.61   |  |  |
| Operati       | Inventory turnover rate (times)                              | 2.26                                       | 1.34       | 1.71     | 1.94     | 1.65     |  |  |
| ng<br>capacit | Payable turnover rate (times)                                | 8.15                                       | 4.88       | 5.38     | 5.69     | 5.09     |  |  |
| у             | Days sales outstanding                                       | 161.50                                     | 272.39     | 213.45   | 188.14   | 221.21   |  |  |
| ,             | Property, plant and equipment turnover rate (times)          | 8.58                                       | 4.56       | 7.17     | 10.78    | 8.34     |  |  |
|               | Total asset turnover rate (times)                            | 0.53                                       | 0.22       | 0.36     | 0.50     | 0.40     |  |  |
|               | Return on assets (%)                                         | (2.53)                                     | (9.03)     | (5.05)   | 4.04     | 4.13     |  |  |
|               | Return on equity (%)                                         | (6.91)                                     | (26.54)    | (15.26)  | 9.14     | 8.21     |  |  |
|               | Pre-tax net profit to paid-in capital ratio $(\%)$           | (25.23)                                    | (80.86)    | (27.70)  | 25.27    | 25.03    |  |  |
|               | Net profit ratio (%)                                         | (5.51)                                     | (43.85)    | (16.08)  | 6.71     | 8.47     |  |  |
|               | Earnings per share (NT\$)                                    | (2.23)                                     | (6.70)     | (3.36)   | 1.98     | 2.02     |  |  |
| Cash          | Cash flow ratio (%)                                          | (6.49)                                     | 54.14      | -        | 1.12     | 25.02    |  |  |
| flow          | Cash flow adequacy ratio (%)                                 | 12.53                                      | 25.96      | 10.12    | 12.02    | 15.99    |  |  |
|               | Cash reinvestment ratio (%)                                  | (8.43)                                     | 14.75      |          | 1.00     | 8.70     |  |  |
| Levera        | Operating leverage                                           | -                                          | 0.99       |          | 1.85     | 1.17     |  |  |
| ge            | Financial leverage                                           | 0.70                                       | 0.60       | 0.36     | 2.03     | 1.58     |  |  |

Reasons for changes of over 20% in financial ratios over the past two years: (May be exempted from the analysis if the change is less than 20%.)

- 1. The increase in long term capital to property, plant and equipment ratio was mainly due to the increase in shareholders' equity as a result of profit growth.
- 2. The increase in current ratio and quick ratio was mainly due to the decrease in current liabilities as a result of the decrease in short-term borrowings.
- 3. The decrease in receivable turnover rate and the increase in average cash collection day were mainly due to the decrease in sales revenue during the year.
- 4. The decrease in property, plant and equipment turnover rate was mainly due to the decrease in sales revenue during the year.
- 5. The increase in net profit ratio was mainly due to the increase in after-tax profit for the year.
- 6. The increases in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio were mainly due to the increase in net cash inflow from operations during the year.
- 7. The decrease in operating leverage and financial leverage was mainly due to the increase in operating profit.

Note: The financial ratios are calculated as follows:

#### 1. Financial Structure

- (1) Debt to asset ratio = total liabilities / total assets
- (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/ net property, plant and equipment

### 2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets inventory prepaid expenses) / current liabilities
- (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.

### 3. Operating capacity

- (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate= net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
- (2) Average cash recovery day = 365 / receivables turnover rate
- (3) Inventory turnover rate = sales cost / average inventory
- (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
- (5) Days sales outstanding = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / net average property, plant and equipment value
- (7) Total asset turnover rate = net sales / average total assets

### 4.Profitability

- (1) Return on assets = [after tax profit and loss + interest expense  $\times$  (1 tax rate)] / average total assets
- (2) Return on equity = after tax profit and loss / average equity
- (3) Net profit rate = after tax profit and loss / net sales
- (4) Earnings per share = (profit or loss attributable to parent company owner preferred stock dividend) /weighted average number of issued shares

### 5.Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years /(capital expenditure + inventory increase + cash dividend) in the last five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)

### 6.Leverage:

- (1) Operating leverage = (net operating income changing operating costs and expenses) / operating profit
- (2) Financial leverage = operating profit / (operating profit interest expense)
- 3. Audit Committee/Suppervisor's Review Report of the Latest Financial Report: Please refer to Attachment 2 of the Annual Report.
- 4. Consolidated Financial Report for the Latest Year: Please refer to Attachment 3 of the Annual Report.

- 5. Latest Individual Financial Statements Audited and Certified by CPAs: Please refer to Attachment 4 of the Annual Report.
- 6. If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed: Nil.

### VII. Review and Analysis of Financial Status and Business Results and Risk Issues

1. Financial Status: The Main Causes and Impacts of Significant Changes in Assets, Liabilities, and Equity for the Last Two Years, and Future Plans to Address Such Significant Impacts.

Unit: NT\$ thousand

| Year                                          |           |           | Differ    | Difference |  |  |
|-----------------------------------------------|-----------|-----------|-----------|------------|--|--|
| Item                                          | 2022      | 2023      | Amount    | %          |  |  |
| Current assets                                | 2,681,717 | 2,674,709 | (7,008)   | (0.26)     |  |  |
| Investments accounted for using equity method | _         | 34,542    | 34,542    | _          |  |  |
| Property, plant and equipment                 | 476,307   | 427,899   | (48,408)  | (10.16)    |  |  |
| Right-of-use assets                           | 149,684   | 126,048   | (23,636)  | (15.79)    |  |  |
| Intangible assets                             | 486,653   | 463,403   | (23,250)  | (4.78)     |  |  |
| Other assets                                  | 114,487   | 104,660   | (9,827)   | (8.58)     |  |  |
| Total assets                                  | 3,908,848 | 3,831,261 | (77,587)  | (1.98)     |  |  |
| Current liabilities                           | 2,175,827 | 1,320,984 | (854,843) | (39.29)    |  |  |
| Non-current liabilities                       | 450,169   | 1,089,977 | 639,808   | 142.13     |  |  |
| Total liabilities                             | 2,625,996 | 2,410,961 | (215,035) | (8.19)     |  |  |
| Capital stock                                 | 549,500   | 549,500   | _         | _          |  |  |
| Capital reserve                               | 880,109   | 820,363   | (59,746)  | (6.79)     |  |  |
| Retained earnings                             | (136,598) | 35,351    | 171,949   | (125.88)   |  |  |
| Other equity                                  | (10,159)  | 15,086    | 25,245    | (248.50)   |  |  |
| Total equity                                  | 1,282,852 | 1,420,300 | 137,448   | 10.71      |  |  |

<sup>1.</sup> Analysis and description (for the changes of 20% or more, and the changes with an amount of NT\$10 million or more):

<sup>(1)</sup> Investments accounted for using equity method were mainly due to the Company's participation in the investment (establishment) of Zhongshan Xuguang Machinery Technology Co., Ltd.

<sup>(2)</sup> The decrease in current liabilities and the increase in non-current liabilities were mainly due to the increase in long-term borrowings and the decrease in short-term borrowings of the Company.

<sup>(3)</sup> The increase in retained earnings was due to the result of net income from operations for the period.

<sup>(4)</sup> The increase in other equity was due to the recognition of exchange differences on the conversion of the financial statements of foreign operators.

<sup>2.</sup> Future response plan: The above changes have had no material impact on the Company's finance and operating position.

- 2. **Financial Performance:** Main reasons for significant changes in operating income, net operating profit and pre-tax net profit in the last two years, sales forecast and the basis, and possible impact on the Company's future financial status and the response plan:
- (1) Financial performance comparison and analysis

Unit: NT\$ thousand

| Year                     | 2022      | 2022      | Difference |          |  |
|--------------------------|-----------|-----------|------------|----------|--|
| Item                     | 2022      | 2023      | Amount     | %        |  |
| Operating revenue        | 2,583,957 | 2,770,750 | 186,793    | 7.23     |  |
| Gross profit             | 653,945   | 776,670   | 122,725    | 18.77    |  |
| Operating income         | 64,381    | 209,088   | 144,707    | 224.77   |  |
| Non-operating income     | 78,252    | (24,498)  | (102,750)  | (131.31) |  |
| and expenses             |           |           |            |          |  |
| Profit before income tax | 142,633   | 184,590   | 41,957     | 29.42    |  |
| Income tax expense       | 33,752    | 73,597    | 39,845     | 118.05   |  |
| Profit for the period    | 108,881   | 110,993   | 2,112      | 1.94     |  |
| Other comprehensive      | 73,052    | 26,455    | (46,597)   | (63.79)  |  |
| income for the period,   |           |           |            |          |  |
| net of tax               |           |           |            |          |  |
| Total comprehensive      | 181,933   | 137,448   | (44,485)   | (24.45)  |  |
| income (loss)            |           |           |            |          |  |

- 1. Analysis and description (for the change of 20% or more, and the amount of change of NT\$10 million or more):
  - (1) The increase in net income was mainly due to the increase in gross profit for the period and the decrease in operating expenses as a result of the Company's cost cutting efforts.
  - (2) The decrease in non-operating income and expenses was mainly due to the decrease in foreign currency exchange gain during the period as a result of the impact of foreign exchange rate.
  - (3) The increase in pre-tax net income was mainly due to the net profit from operations as a result of the Company's efforts on cost cutting, yield improvement and process optimization.
  - (4) The increase in income tax expense was mainly due to the adjustment (increase) to the previous period's income tax.
  - (5) The decreases in other comprehensive income (loss) and total comprehensive income (loss) were mainly due to the impact of differences in the conversion of financial statements of foreign operators.
- 2. Future response plan: To optimize the global layout strategy, to actively expand the market, to focus on strategic, high-tech and sustainable high-growth markets and to invest in the development of highly-automated and intelligent smart machinery and equipment, to enhance profitability, and to continue to implement rolling foreign exchange to address the unfavorable factors arising from fluctuations in the international exchange rate.
- (2) Expected sales volume and its basis, potential impact on the Company's future finance and operation, and the response plan:
  - 1. Expected sales volume and its basis: Based on the market information collected by the business department and the sales forecast provided by the distributors, the annual sales target will be set upon compilation and evaluation.
  - 2. Potential impact on the Company's future finance and operation: No material impact on the Company's future finance and operation.
  - 3. Response plan: The Company will continue to actively engage in the research and development of manufacturing process technology and to collaborate with renowned universities and research institutes to acquire technology transfer and the latest product information, so as to enable the Company's products to remain in a leading position in the market at the technological level.

- **3.** Cash Flow: Analysis of changes in cash flow for the most recent year, improvement plan for the liquidity shortfall, and analysis of cash liquidity for the coming year.
- (1) Analysis and description of changes in cash flow in recent years

Unit: NT\$ thousand

| Year                                               | 2022      | 2023      | Difference |         |  |
|----------------------------------------------------|-----------|-----------|------------|---------|--|
| Item                                               | 2022      | 2023      | Amount     | %       |  |
| Net cash flows from (used in) operating activities | 174,613   | 115,652   | (58,961)   | (33.77) |  |
| Net cash flows from (used in) investing activities | (7,062)   | (75,313)  | (68,251)   | 966.45  |  |
| Net cash flows from (used in) financing activities | (155,654) | (129,461) | 26,193     | (16.83) |  |

Analysis of changes in the percentage of increase/decrease of 20% or more:

- 1. The decrease in net cash flows from operating activities was mainly due to the Company's control of inventories that resulted in a decrease in the amount during the year.
- 2. The increase in net cash flows used in investing activities was mainly due to the relatively higher cost of acquiring fixed assets and software during the year.
- 3. The decrease in net cash flows used in financing activities was mainly due to the decrease in repayment of bank loans during the year.
- (2) Response plane for liquidity shortfall: The Company will utilize bank borrowings to meet its future capital needs, therefore, there is still no risk in cash liquidity.
- (3) Analysis of cash flow in the coming year:

Unit: NT\$ thousand

|          | Estimated  | Estimated  | Estimated  |           | Remedies f | or deficit of |
|----------|------------|------------|------------|-----------|------------|---------------|
| Beginnin | net cash   | net cash   | net cash   | Cash      | estimat    | ed cash       |
| g cash   | flows from | flows from | flows from | surplus   |            |               |
| balance  | (used in)  | (used in)  | (used in)  | (Deficit) | Investment | Einonoino     |
| (1)      | operating  | investing  | financing  | forecast  | Investmen  | Financing     |
| (1)      | activities | activities | activities | (1+2+3+4) | t plan     | plan          |
|          | (2)        | (3)        | (4)        |           |            |               |
| 838,416  | 150,000    | (50,000)   | 50,000     | 988,416   | _          | _             |

#### Description:

- 1. The net cash inflow from operations of NT\$150,000 thousand was mainly due to the sales of machines and after-sales services.
- 2. The net cash outflow of NT\$50,000 thousand from investments was mainly due to capital expenditures for acquisitions and plans to expand into the European market.
- 3. The net cash inflow from fund-raising was NT\$50,000 thousand, which was mainly due to bank borrowings.
- 4. Impact of Major Capital Expenditure in the Past Year on the Financial Status: There were no significant capital expenditures in recent years.

# 5. Investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year

Unit: NT\$/foreign currency in thousand

|                                                        |                  |                    |                                                   |                                                                                                                         | reign currency in a                                                                                                                                                             |                                     |
|--------------------------------------------------------|------------------|--------------------|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Item                                                   | Sharehold<br>ing | Amount<br>Invested | Profit (loss)<br>for the Period<br>from Investees | Main Reasons for<br>Profit or Loss                                                                                      | Improvement Plan                                                                                                                                                                | Investment Plan for the Coming Year |
| Quaser Europe<br>Technical Center AG                   | 100%             | 3,076              | (49)                                              | Currently the operation center has been moved to Germany                                                                | Nil                                                                                                                                                                             | Nil                                 |
| Kunshan Quaser<br>Machine Tools, Inc.                  | 100%             | US\$1,280          | 14,870                                            | The company is operating normally                                                                                       | Nil                                                                                                                                                                             | Nil                                 |
| Quaser America<br>Machine Tools, Inc.                  | 100%             | 189,455            | (4,787)                                           | and liquidation by resolution of the                                                                                    | Integration of internal resources and liquidation of the Group to continue the operation and management of the U.S. market through a subsidiary, Winbro Group Technologies LLC. | Nil                                 |
| Winbro Group UK<br>Limited                             | 100%             | 1,845,204          | 93,741                                            | Aerospace market<br>recovery and<br>steady growth of<br>orders in the<br>semiconductor<br>market                        | Nil                                                                                                                                                                             | Nil                                 |
| Quaser Europe<br>Technical Center<br>Gmbh              | 100%             | 121,448            | (3,484)                                           | Its recognition is<br>still taking time to<br>accumulate due to<br>the COVID-19<br>outbreak during its<br>establishment | Development of the<br>European market in<br>collaboration with<br>the distributors and<br>their cash capital<br>increase                                                        | European                            |
| Winbro Group<br>Technologies<br>Limited                | 100%             | GBP 90             | GBP<br>(1,046)                                    | Aerospace market is gradually recovering with components processing as the primary focus                                | Visit potential<br>customers<br>Aerospace market<br>gaining recovery<br>momentum                                                                                                | Nil                                 |
| Winbro Group<br>Technologies LLC                       | 100%             | US\$33,576         | US\$<br>4,274                                     | Orders are gradually being delivered in the semiconductor market                                                        | Nil                                                                                                                                                                             | Nil                                 |
| Zhongshan Xuguang<br>Machinery<br>Technology Co., Ltd. | 40%              | 8,000 RMB          | (75)                                              | Plant under construction                                                                                                | Expected to commence operation in 2024                                                                                                                                          | Nil                                 |

# 6. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report:

- (1) Impact of changes in interest rates, foreign exchange rates, and inflation on the Company's profit or loss and future countermeasures:
  - 1. Changes in interest rates:

The Group's interest expenses in 2022 and 2023 amounted to NT\$27,897 thousand and NT\$32,327 thousand, respectively, which accounted for 1.08% and 1.17% of the net operating income for the period. With the inflationary pressure and major economies' currency policies, as reflected in the interest rate in 2023, the Company reorganized its syndicated bank loans, lowered the interest rate on its long-term borrowings, and utilized low-interest rate financing instruments to maintain low financing costs.

### 2. Changes in foreign exchange rates:

The Group's exchange gain for 2022 and 2023 amounted to NT\$87,951 thousand and NT\$673 thousand, respectively, which accounted for 3.40% and 0.02% of the Group's net operating income for the period. Given that the Group focuses on export sales, changes in foreign exchange rates tend to affect the Group to a certain extent. In order to cope with the risk of exchange rate fluctuations, the Group intends to adopt the following countermeasures:

- (1) Rolling conversion of foreign currency vault to lower the risk of foreign exchange fluctuation.
- (2) Increase the utilization of derivatives (including forward contracts, foreign exchange swaps, interest rate swaps, and other contracts) to reduce the exchange rate risk that may arise from future collections.
- (3) Establish internal control system and implement it on an on-going basis.

#### 3. Inflation:

With the increase in prices of raw materials by some suppliers since 2022, the Group has adjusted the selling prices of some of its products in a timely manner and has been exploring alternative suppliers and alternative raw materials to minimize the impact of inflation. The Group will continue to maintain good relationships with its suppliers and customers, keep track of the global economic trend, and make timely adjustments to its procurement and sales strategies in order to cope with the impact of inflation, and the same applies to 2023.

- (2) Policies for engagement in high-risk, highly leveraged investments, lending of funds to others, endorsements and guarantees, and derivatives transactions, main reasons for profits or losses, and future countermeasures:
  - 1. The Group's financial policy is based on a steady and conservative principle and the Group does not engage in high-risk and highly leveraged investments.
  - 2. All of the Group's lending funds to others are subsidiaries within the consolidated /individual financial statements and have been processed in accordance with the "Procedures for Lending Funds to Others" and in compliance with the relevant laws and regulations.
  - 3. The Group has not engaged in endorsement and guarantee for the most recent year and up to the publication date of the annual report. Should the Group decide to engage in endorsement and guarantee in the future, it will be processed in accordance with the "Procedures for Endorsement and Guarantee" stipulated by the Group and relevant laws and regulations.
  - 4. The Group's derivative transactions are processed in accordance with the "Procedures for Engaging in Derivative Transactions" established by the Group. The main purpose of engaging in derivative transactions is to hedge the risks associated with exchange rate fluctuations, and to plan for appropriate amount of foreign exchange vaults and flows taking into account the actual amount of foreign exchange generated by the Company's operations. These instruments are not high-risk, highly leveraged products, and do not pose any material negative impact on the Group's financial position and profitability. The unrealized gains (losses) on financial instruments arising from the Group's forward exchange/swap/interest swap contracts for the periods ended 2022 and 2023 were NT\$(286) thousand and NT\$0 thousand, respectively. As of the publication date of the annual report, the Group has not entered into any derivative contracts with financial institutions.

### (3) Future R&D plans and estimated R&D expenses:

### 1. Future R&D plans

Ever since the establishment of the Group, the basic concept of machine development and design has been centered on the needs of the European market. However, in recent years, the Group has been actively expanding into the U.S. and Asian markets, with R&D of the latest cutting technology models as the new product planning direction. In the face of the ever-changing international market, and the rapid emergence of smart manufacturing during the Industry 4.0

revolution, the importance of machine tool hardware structures has become less important than before, and will likely be replaced by Computer Numerical Control (CNC) machine tools. the Group manufactures CNC vertical, horizontal, and 5-axis machining centers, and has been actively establishing the production of Industry 4.0 smart machine tools in recent years, with the main focus on the electrification of production management, automated equipment, smart upgrades, and sales and service platforms, in a parallel manner. Utilizing big data management, the Group is able to respond quickly to the current status of affairs and product manufacturing processes, leading Quaser Machine Tools to become the pioneer of smart machinery in the machine tool industry and the indicator of advanced five-axis products.

### (1) New Corporate Identity (CI) system products:

The new Quaser CI emphasizes modernity, showcases the Company's innovative and stylish image, integrates the Company's brand name, strengthens brand recognition, and plans for a change in the overall appearance of its machine products. Furthermore, we take into account the sustainability of the materials, comply with environmental standards, and demonstrate our corporate social responsibility. Our user-friendly design, safety and reliability, and compliance with industry standards further highlight Quaser's unique technological features and enhance our corporate image.

### (2) High-performance five-axis machining centers:

Our innovative five-axis machining centers production lines continue to develop in collaboration with European manufacturers, developing a full range of products, adopting a unique modular structure, with unique structural composition, the use of downward chip removal and high spatial combination of flexibility and other characteristics, five-axis parallel machining, imported high-precision and high-specification B/C axes, operators are able to work with short distances from the main spindle and workpieces, as well as better applications of aerospace processing, providing excellent ergonomic design, and fulfilling the future needs of the aerospace industry milling machining center demand.

### (3) Automated modular design:

Quaser has a long history of automation and has been offering customers a full range of automated production line unit station options. In the future, Quaser will increase the number of applicable products for niche customers, such as automatic loading and unloading systems, automatic tool changers, automatic workpiece positioning and clamping systems. With the application of smart sensing technologies such as vision and laser positioning, automatic workpiece inspection and adjustment are realized. The flexible module design enables expansion and upgrading of different functional modules to meet different industrial and production needs and future technological upgrades.

### (4) Five-axis laser machining center (Semiconductor industry):

HSD 951 is a five-axis laser machining center developed in collaboration with Winbro, a subsidiary of the Company. It is mainly used for porous components required by semiconductor industry equipment, and is different from the previous range of machining, which was created due to the special needs of the equipment components to meet the required laser drilling process. Due to the different specifications from the general CNC machines, the sheet metal design, material selection, the level of protection of the components are higher, and special safety modules are used in the electronic control.

#### (5) Energy saving machine tools and carbon emission monitoring:

The carbon emission calculation system for machining centers is designed to collect the actual values of machining, record the factors and calculate the carbon emission through the formula, and display the carbon emission on the screen. After setting the machining conditions, the backend will calculate the corresponding carbon emission in accordance with the selected conditions. Users can check the carbon emissions based on their selected conditions, and check the carbon emissions by single processing/weekly accumulation/monthly accumulation in the menu. This system allows the customer to review the processing method by observing the emission level in time, enabling the customer to self-examine and remedy the excessive energy loss.

(6) Smart optimized user interface:

For a variety of complex works, the Company has researched and developed the user interface necessary for such operations; taking into account the convenience and unique features, the Company's unique products offer a multiplying effect and satisfy the needs of specialized customers; including motion controls, real time displays, scheduling, repair and maintenance, and so on. All these features enable us to satisfy customers in the market with a variety of automation, multi-tasking, inspection, and other machining center functions.

(7) New generation horizontal machining centers:

In response to the product evolution at the customer's end, we are moving towards a new horizontal machining layout to improve the machining efficiency. Equipped with multi-axis machining capability, including three, four and five-axis, providing more flexible machining options to meet the needs of multi-face cutting of complex workpieces. Integration of advanced numerical control system and smart technology provides an intuitive user interface, which facilitates the operator in operating and monitoring the machine. The machines are applicable to a variety of industries, including aerospace, automotive, and semiconductor equipment components, and are designed to meet the needs of different industries for efficient and high-precision machining.

- 2. The Group invested NT\$69,394 thousand and NT\$77,771 thousand on R&D in 2022 and 2023, accounting for 2.69% and 2.81% of the Group's turnover, respectively. In the future, the Group will continue to invest a considerable amount of R&D expenditures in automation, intelligence, and high-and low-end five-axis machining centers in order to enhance the competitiveness of the Group.
- (4) Impact of changes in domestic and overseas policies and laws on the Company's financial operations and the countermeasures:

In addition to operating in compliance with relevant domestic and overseas laws and regulations, the Group also pays close attention to the development trend of domestic and foreign policies and regulations in order to better understand the changes in the market environment. There have been no significant impacts on the Group's financial operations as a result of significant domestic and overseas policy and legal changes in the recent years and up to the date of publication of the annual report of the Company.

(5) The impact of technological changes (including information security risks) and industry changes on the Company's financial operations and the countermeasures:

In the postpandemic era, manufacturers are facing the issue of labor shortage and rising wages in the general environment, and in response, manufacturers are required to adapt to the situation by changing materials, manufacturing processes, and production methods. The Company has developed smart automation to cope with the labor shortage and the demand for local manufacturing; due to the rapid decline in the aviation industry during the pandemic period, which had a significant impact on the Company, we have continued to build our R&D capabilities and invested in the development of different industries in order to diversify our risks, such as semiconductors, hydrogen fuel cells, and medical-related industrial chains, not only fulfilling the global carbon reduction policy, but also minimizing the impact of changes in the industry on the Company's financial and business operations.

(6) The impact of corporate image change on corporate crisis management and the countermeasures:

Since its establishment, the Group has been building up a good corporate brand and image with its quality, service and efficiency. In the future, the Group will continue to devote itself to the functional training and development of employees so as to enable them to create high standards of productivity and subsequent efficiencies. Until now, the Group has not experienced any significant impact due to the change in corporate image.

(7) Expected benefits, possible risks and countermeasures associated with merger and acquisition:

Mergers and acquisitions will continue to be part of the Company's future development plans. However, as of the date of publication of the annual report, the Company has yet to have any merger and acquisition goals and plans, and will continue to cautiously assess the risks and benefits in order to maximize the Company's interests and protect shareholders' rights and interests.

(8) Expected benefits, possible risks and countermeasures associated with plant expansion:

In order to meet the production capacity requirements for the Company's medium and long-term

operational growth and to improve the quality of raw materials, the Group plans to set up a processing plant in its medium and long-term operational development plan. In addition to increasing the production capacity by adding more production lines, the processing plant will resume part of the outsourced processing back to in-house production in order to stabilize the delivery time and quality of the machines. As of the publication date of the annual report, when the Company has specific plans in the future, the Company will carefully evaluate the investment benefits and possible risks to ensure the development of the Company and the interests of shareholders.

- (9) Risks and countermeasures associated with the over-reliance of procurement or sales of a certain source/target:
  - 1.Except for the Group's sales to Company S, Company G and Company R, which accounted for 15.36%, 11.83% and 10.95% of the Group's sales in 2023, the Group's sales to a single customer did not exceed 10%, and therefore the Group is unlikely to be exposed to the risk of sales concentration.
  - 2. The Group's major raw materials for its products are controllers, castings, transmission mechanisms and sheet metal, etc. The Group maintains more than two suppliers for its key raw materials in order to minimize the risk of supply shortage. The Group has been collaborating with its major suppliers for many years and there has not been any supply shortage in the past. There was no such concentration of supply as no single supplier accounted for more than 10% of the Group's total procurement for the year 2023.
- (10) Impacts, risks on the Company due to substantial transfer or replacement of shareholdings of directors, supervisors or major shareholders holding more than 10% of the Company's shares and the countermeasures:

The Company has not experienced any substantial transfer or replacement of shareholdings of directors, supervisors or major shareholders holding more than 10% of the Company's shares in recent years and as of the publication date of the Company's annual report.

- (11) Impacts, risks and countermeasures associated with the change in ownership of the Company:
  - There were no changes in the Company's ownership in the most recent year and up to the publication date of the annual report.
- (12) If there is any litigation or non-litigation, please list the significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's Directors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates. If the result may have a significant impact on the shareholders' equity or the price of the Company's shares, please disclose the fact of the dispute, the claim amount, the date of commencement of the litigation, the principal litigants and the handling of the situation as of the date of publication of the annual report: Nil.
- (13) Potential risks on information security and the countermeasures:

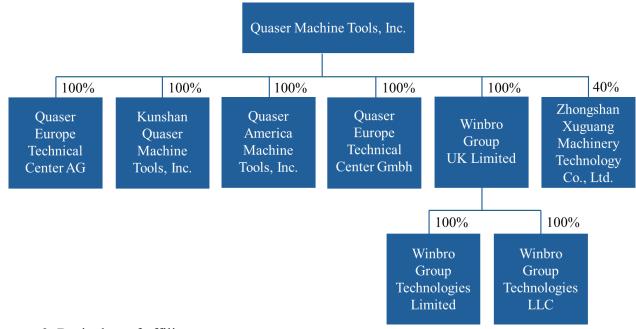
The Company has established information loop control and information security management rules in order to maintain the normal operation of information and computer systems in a secure environment. In addition to preventing unknown network attacks and malicious programs from crashing the system, we also promote common information security incidents or recent news from time to time to raise the awareness of information security among our employees. On work days, we perform external backups of important internal data such as ERPs, and we keep records of our employees' system authority control, system access, USB access, etc., and conduct checks from time to time. We also keep full records of e-mails, both incoming and outgoing, and strictly monitor the software installed on the computers to prevent the leakage of important internal information. The anti-virus software of personal computers is automatically updated at all times, and anti-virus software scanning will be triggered at each Thursday's noon to minimize the risk of virus infection in the computers.

### 7. Other Important Matters: Nil.

### VIII. Special Notes

### 1. Information about the Company's Affiliates

- (1) Consolidated Affiliate Business Report
  - 1. Organization chart of affiliates (April 11, 2024)



2. Basic data of affiliates

April 11, 2024; Unit: NT\$/foreign currency in

#### thousand

| Housand                                                |                       |                                                                          |                           |                                                     |
|--------------------------------------------------------|-----------------------|--------------------------------------------------------------------------|---------------------------|-----------------------------------------------------|
| Affiliate Name                                         | Date of Establishment | Address                                                                  | Paid-in Capital           | Major Business or<br>Products                       |
| Quaser Europe<br>Technical Center AG                   | October 09,<br>2008   | Unterlettenstrasse 16, 9443<br>Widnau Switzerland                        | 3,076<br>(CHF 100)        | Trading of machine tools                            |
| Kunshan Quaser<br>Machine Tools, Inc.                  | January 20,<br>2012   | 287, Kangzhuang Road,<br>Zhoushi Town, Kunshan<br>City, Jiangsu Province | US\$1,500                 | Trading of machine tools                            |
| Quaser America<br>Machine Tools, Inc.                  | December 06, 2016     | 3049 Southcross<br>Boulevard, Rock Hill, SC,<br>29730, UNITED STATES     | 189,455<br>(US\$6,000)    | Trading of machine tools                            |
| Quaser Europe<br>Technical Center<br>Gmbh              | December 13,<br>2019  | Carl-Zeiss-Str. 22, 42579<br>Heiligenhaus, Germany                       | 841<br>(EUR 25)           | Trading of machine tools                            |
| Winbro Group UK<br>Limited                             | March 29,<br>1999     | Whitwick Business Park,<br>Coalville, Leics, LE67<br>4JP, United Kingdon | 1,845,204<br>(US\$60,281) | International investments                           |
| Winbro Group<br>Technologies<br>Limited                | April 16, 1992        | Whitwick Business Park,<br>Coalville, Leics, LE67<br>4JP, United Kingdon | GBP 90                    | Manufacturing and processing of aerospace machinery |
| Winbro Group<br>Technologies LLC                       | December 10, 2010     | 3049 Southcross<br>Boulevard, Rock Hill, SC,<br>29730, UNITED STATES     | US\$33,576                | Manufacturing and processing of aerospace machinery |
| Zhongshan Xuguang<br>Machinery<br>Technology Co., Ltd. | May 23, 2023          | No. 3 Taiping North Road,<br>Sanxiang Township,<br>Zhongshan City        | RMB 20,000                | Manufacturing and trading of machine tools          |

3. Information about common shareholders of entities presumed to have a controlling

and subordinate relationship: Nil.

- 4. Industries covered by the operations of the affiliates as a whole:
  - (1) Machine tool industry;
  - (2) International trade industry;
  - (3) Aerospace machinery industry

# 5. Describe the relationship and work distribution among the affiliates if their businesses are related to each other:

| Industry         | Affiliate Name                                   | Relationship with affiliated companies' businesses         |  |  |
|------------------|--------------------------------------------------|------------------------------------------------------------|--|--|
| Trade            | Quaser Europe Technical Center AG                | Sales and repair of Quaser products                        |  |  |
| Trade            | Kunshan Quaser Machine Tools, Inc.               | Sales and repair of Quaser products                        |  |  |
| Trade            | Quaser America Machine Tools, Inc.               | Sales and repair of Quaser products                        |  |  |
| Trade            | Quaser Europe Technical Center Gmbh              | Sales and repair of Quaser products                        |  |  |
| Holdings company | Winbro Group UK Limited                          | Indirect overseas investments                              |  |  |
| Manufacturing    | Winbro Group Technologies Limited                | Manufacturing and sales of Winbro's products               |  |  |
| Manufacturing    | Winbro Group Technologies LLC                    | Manufacturing and sales of Winbro's products               |  |  |
| Manufacturing    | Zhongshan Xuguang Machinery Technology Co., Ltd. | Manufacturing and sales of<br>Zhongshan Xuguang's products |  |  |

# 6. Names of Directors, Supervisors and General Managers of the affiliates and their shareholdings or capital contributions to the affiliates.

Unit: Share;%

|                                        |                               |                         |                                                       | Shareh                   | olding                       |
|----------------------------------------|-------------------------------|-------------------------|-------------------------------------------------------|--------------------------|------------------------------|
| Affiliate Name                         | Title                         | Name                    | e or Representative                                   | Shares/Co<br>ntribution  | Shares/Co<br>ntribution<br>% |
| Quaser Europe Technical<br>Center AG   | Person-in-<br>charge          | Hsieh,<br>Tien-<br>Hsin | Legal representative<br>of Quaser Machine<br>Tools    | 1,000<br>shares          | 100                          |
| Kunshan Quaser Machine                 | CEO and<br>General<br>Manager | Huang,<br>Kuo-<br>Chin  | Legal representative<br>of Quaser Machine<br>Tools    | CNY<br>1,280<br>thousand | 100                          |
| Tools, Inc.                            | Supervisor                    | Chen,<br>Kuan-<br>Hung  | _                                                     | _                        |                              |
| Quaser America Machine<br>Tools, Inc.  | Chairman                      | Hsieh,<br>Tien-<br>Hsin | Legal representative<br>of Quaser Machine<br>Tools    | 6,000,000<br>shares      | 100                          |
| Quaser Europe Technical<br>Center Gmbh | Person-in-<br>charge          | Shieh,<br>Raui-Mu       | Legal representative of Quaser Machine Tools          | 25,000<br>shares         | 100                          |
| Winbro Group UK Limited                | Person-in-<br>charge          | Hsieh,<br>Tien-<br>Hsin | Legal representative<br>of Quaser Machine<br>Tools    | 1,425,000<br>shares      | 100                          |
| Winbro Group Technologies<br>Limited   | Person-in-<br>charge          | Hsieh,<br>Tien-<br>Hsin | Legal representative<br>of Winbro Group UK<br>Limited | 9,029,804<br>shares      | 100                          |
| Winbro Group Technologies LLC          | Person-in-<br>charge          | Hsieh,<br>Tien-         | Legal representative of Winbro Group UK               | USD<br>33,576            | 100                          |

|                           |             | Hsin   | Limited              | thousand |    |
|---------------------------|-------------|--------|----------------------|----------|----|
|                           | Chairman    | Wang,  | Zhongshan Wei Li     | CNY      | 60 |
|                           |             | Tai-   | Textile Co.,Ltd.     | 12,000   |    |
|                           |             | Kuang  |                      | thousand |    |
|                           | Director    | Hsieh, | Legal representative | CNY      | 40 |
| Zhongshan Xuguang         | and General | Tien-  | of Winbro Group UK   | 8,000    |    |
| Machinery Technology Co., | Manager     | Hsin   | Limited              | thousand |    |
| Ltd.                      | Director    | Liu,   | _                    | _        | _  |
|                           |             | Wen-Fu |                      |          |    |
|                           | Supervisor  | Sung,  | _                    | _        | _  |
|                           | -           | Ching- |                      |          |    |
|                           |             | Hui    |                      |          |    |

# 7. Overview of the operations of the affiliates:

December 31, 2023; Unit: NT\$/Foreign

currency in thousands

| Affiliate                                              | Capital    | Total assets | Total liabilities | Total equity | Operating revenue | Operating income (loss) | Profit (Loss) for the period | Earnings per<br>share (NT\$)<br>(after tax) |
|--------------------------------------------------------|------------|--------------|-------------------|--------------|-------------------|-------------------------|------------------------------|---------------------------------------------|
| Quaser Machine Tools, Inc.                             | 549,500    | 3,317,975    | 1,897,675         | 1,420,300    | 1,310,822         | 87,976                  | 110,993                      | 2.02                                        |
| Quaser Europe Technical<br>Center AG                   | 3,076      | 44,540       | 5                 | 44,535       | 1                 | (288)                   | (49)                         | _                                           |
| Kunshan Quaser Machine Tools, Inc.                     | 45,880     | 70,123       | 52,737            | 17,386       | 176,261           | 14,890                  | 14,870                       | _                                           |
| Quaser America Machine Tools, Inc.                     | 189,455    | 104,542      | 5,847             | 98,695       | 1                 | (5,051)                 | (4,787)                      | _                                           |
| Quaser Europe Technical<br>Center Gmbh                 | 841        | 205,711      | 111,195           | 94,516       | 90,653            | (3,315)                 | (3,484)                      | _                                           |
| Winbro Group UK Limited                                | 1,845,204  | 1,559,630    | 717,996           | 841,634      | 1,629,875         | 156,572                 | 93,741                       | _                                           |
| Winbro Group Technologies<br>Limited                   | GBP 90     | GBP 20,434   | GBP 7,845         | GBP 12,589   | GBP 21,670        | GBP (1,125)             | GBP (1,046)                  | _                                           |
| Winbro Group Technologies LLC                          | US\$33,576 | US\$20,867   | US\$9,876         | US\$10,991   | US\$25,361        | US\$4,207               | US\$4,274                    | _                                           |
| Zhongshan Xuguang<br>Machinery Technology Co.,<br>Ltd. | RMB 20,000 | 85,761       | (595)             | 86,356       | -                 | (214)                   | (187)                        |                                             |

### (2) Consolidated Affiliate Business Report

The companies that should be included in the preparation of the Company's consolidated financial statements of affiliates in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies that should be included in the preparation of the Company's consolidated parent-subsidiary financial statements in accordance with No. 10 of the International Financial Reporting Standards recognized by the Financial Supervisory Commission for 2023 were the same. Since the information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the aforementioned consolidated financial statements of the parent-subsidiary companies, we hereby refrain from preparing separate consolidated financial statements of affiliated companies. Please refer to Attachment 3 of this annual report for the parent-subsidiary consolidated financial statements.

### (3) Relations Report: Nil.

- 2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report: Nil.
- 3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report: Nil.
- 4. Other Necessary Supplementary Notes: Nil.
- IX. Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 3 of Article 36 of the Securities Exchange Law: Nil.

Attachment 1



Date: March 12, 2024

The Company hereby releases this Statement concerning the results of self-inspection on the Company's internal control system made in 2023:

- 1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
- 2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
- 3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
- 4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.

### Attachment 1

- 5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2023 Note 2 its internal control system (including its supervision and management of subsidiaries and its overall implementation of information security), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
- 6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- 7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 12, 2024, where none of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

# **Quaser Machine Tools, Inc.**

Chairman : Shieh, Raui-Mu

瑞制

General Manager : Hsieh, Tien-Hsin

Attachment 2

# **Audit Committee's Review Report**

The Company's business report, financial statements and proposal for earnings distribution in 2023 prepared by the Board of Directors have been audited and attested by CPAs Chun-Yuan Wu and Tzu-Hsin Chang of KPMG Taiwan, with an audit report issued. The aforesaid business report along with financial statements and proposal for earnings distribution has been reviewed and determined to be correct and accurate by the Audit Committee, with this Audit Committee Review Report proposed for review pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. For your review.

To

Quaser Machine Tools, Inc. 2024 Annual General Shareholders' Meeting

Quaser Machine Tools, Inc.

Convener of Audit Committee: Xin-Liang Chen



March 12, 2024

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Stock Code: 4563

## **QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**

**Consolidated Financial Statements** 

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

Address: No.3, Gong 6th Rd., Youshih Industrial Park, Dajia District, Taichung City, Taiwan (R.O.C.) Telephone: (04)2682-1277

The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Quaser Machine Tools, Inc. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Quaser Machine Tools, Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Quaser Machine Tools, Inc. Shill Raw Mrs

Chairman: Shieh, Raui-Mu

Date: March 12, 2024

# **Independent Auditors' Report**

To the Board of Directors of Quaser Machine Tools, Inc.:

### **Opinion**

We have audited the consolidated financial statements of Quaser Machine Tools, Inc. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

### 1. Assessment of goodwill impairment

Please refer to Note 4(m) for accounting policies, Note 5 for accounting assumptions, judgements and estimation uncertainty, and Note 6(g) for the assessment of goodwill impairment.

Description of key audit matter:

The Group's goodwill arising from the acquisition is significant. The assessment process of goodwill impairment requires identifying the cash-generating unit and estimation of the future cash flow of operation to determine the recoverable amount. We list the assessment as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Group; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures,

appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; and assessing the adequacy of the Group's disclosures of its policy on impairment of goodwill and other related disclosures.

#### 2. Revenue recognition

Refer to Note 4(o) for accounting policies and Note 6(s) for explanation of revenue.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. In addition, the Group operates in an industry in which revenue is considered to be complex in determining the timing of revenue recognition. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Group's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customers' orders and assessing whether the accounting treatment of the related contracts including sales terms is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures.

### **Other Matter**

Quaser Machine Tools, Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

# Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional

judgment and professional skepticism throughout the audit. We also:

- 1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Yuan Wu and Tzu-Hsin Chang.

### KPMG

Taipei, Taiwan (Republic of China) March 12, 2024

#### **Notes to Readers**

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

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

# **Consolidated Balance Sheets**

# December 31, 2023 and 2022

## (Expressed in thousands of New Taiwan Dollar)

|                                                           | December 31, | 2023 | December 31, 2022 |     | December 31, 2023                                      |    | December 31, 2022 |     |           |          |
|-----------------------------------------------------------|--------------|------|-------------------|-----|--------------------------------------------------------|----|-------------------|-----|-----------|----------|
| Assets                                                    | Amount       | %    | Amount            | %   | Liabilities and Equity                                 | _  | Amount            | %   | Amount    | <b>%</b> |
| Current assets:                                           |              |      |                   |     | Current liabilities:                                   |    |                   |     |           |          |
| Cash and cash equivalents (Note 6(a))                     | 838,416      | 22   | 900,149           | 23  | Short-term borrowings (Note 6(i) and 8)                | \$ | 552,000           | 14  | 1,162,400 | 30       |
| Notes receivable, net (Note 6(b))                         | 30,571       | 1    | 23,269            | 1   | Current contract liabilities (Note 6(s))               |    | 178,607           | 5   | 345,740   | 9        |
| Trade receivable, net (Note 6(b))                         | 660,222      | 17   | 490,699           | 12  | Notes payable                                          |    | 171               | -   | 162       | -        |
| Other receivables                                         | 16,930       | -    | 22,016            | 1   | Accounts payable                                       |    | 185,900           | 5   | 195,209   | 5        |
| Current tax assets                                        | 13,509       | -    | 12,811            | -   | Other payables (Note 6(k))                             |    | 282,873           | 7   | 240,808   | 6        |
| Inventories (Note 6(c))                                   | 1,058,751    | 28   | 1,157,309         | 30  | Current tax liabilities                                |    | 60,747            | 2   | 20,037    | 1        |
| Other current assets (Note 6(h))                          | 56,310       | 2    | 75,464            | 2   | Current provisions (Note 6(n))                         |    | 21,101            | 1   | 13,960    | -        |
|                                                           | 2,674,709    | 70   | 2,681,717         | 69  | Current lease liabilities (Note 6(j))                  |    | 35,948            | 1   | 61,323    | 2        |
|                                                           |              |      |                   |     | Long-term borrowing, current portion (Note 6(1) and 8) |    | 2,806             | -   | 135,224   | 3        |
| Non-current assets:                                       |              |      |                   |     | Other current liabilities                              | _  | 831               |     | 964       |          |
| Investments accounted for using equity method (Note 6(d)) | 34,542       | 1    | -                 | -   |                                                        | _  | 1,320,984         | 35  | 2,175,827 | 56       |
| Property, plant and equipment (Note 6(e) and 8)           | 427,899      | 11   | 476,307           | 12  | Non-Current liabilities:                               |    |                   |     |           |          |
| Right-of-use assets (Note 6(f))                           | 126,048      | 3    | 149,684           | 4   | Long-term borrowings (Note 6(l) and 8)                 |    | 950,488           | 25  | 302,889   | 8        |
| Intangible assets (Note 6(g))                             | 164,671      | 4    | 187,873           | 5   | Non-current provisions (Note 6(n))                     |    | 4,668             | -   | 4,106     | -        |
| Goodwill (Note 6(g))                                      | 298,732      | 8    | 298,780           | 8   | Deferred tax liabilities (Note 6(p))                   |    | 34,829            | 1   | 45,173    | 1        |
| Deferred tax assets (Note 6(p))                           | 79,192       | 2    | 93,222            | 2   | Non-current lease liabilities (Note 6(j))              | _  | 99,992            | 2   | 98,001    | 2        |
| Net defined benefit assets (Note 6(o))                    | 21,461       | 1    | 18,657            | -   |                                                        | _  | 1,089,977         | 28  | 450,169   | 11       |
| Other non-current assets (Note 6(h))                      | 4,007        |      | 2,608             |     | Total liabilities                                      | _  | 2,410,961         | 63  | 2,625,996 | 67       |
|                                                           | 1,156,552    | 30   | 1,227,131         | 31  |                                                        |    |                   |     |           |          |
|                                                           |              |      |                   |     | Equity attributable to owners of parent: (Note 6(q))   |    |                   |     |           |          |
|                                                           |              |      |                   |     | Common stock                                           |    | 549,500           | 14  | 549,500   | 14       |
|                                                           |              |      |                   |     | Capital surplus                                        |    | 820,363           | 22  | 880,109   | 22       |
|                                                           |              |      |                   |     | Unappropriated retained earnings (Accumulated deficit) |    | 35,351            | 1   | (136,598) | (3)      |
|                                                           |              |      |                   |     | Other Equity                                           | _  | 15,086            |     | (10,159)  |          |
|                                                           |              |      |                   |     | Total equity                                           | _  | 1,420,300         | 37  | 1,282,852 | 33       |
| Total assets                                              | 3,831,261    | 100  | 3,908,848         | 100 | Total liabilities and equity                           | \$ | 3,831,261         | 100 | 3,908,848 | 100      |

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income For the Years ended December 31, 2023 and 2022 (Expressed in thousands of New Taiwan Dollar)

|                                                                                                                             |    | 2023      |     | 2022      |     |  |
|-----------------------------------------------------------------------------------------------------------------------------|----|-----------|-----|-----------|-----|--|
|                                                                                                                             | -  | Amount    | %   | Amount    | %   |  |
| <b>Operating revenue</b> (Note 6(s))                                                                                        | \$ | 2,770,750 | 100 | 2,583,957 | 100 |  |
| Operating costs (Note 6(c), (o) and 12)                                                                                     | _  | 1,994,080 | 72  | 1,930,012 | 75  |  |
| Gross profit                                                                                                                | _  | 776,670   | 28  | 653,945   | 25  |  |
| Operating expenses (Note 6(o), (t) and 12):                                                                                 |    |           |     |           |     |  |
| Selling expenses                                                                                                            |    | 148,170   | 5   | 158,673   | 6   |  |
| Administrative expenses                                                                                                     |    | 331,273   | 12  | 357,442   | 14  |  |
| Research and development expenses                                                                                           |    | 77,771    | 3   | 69,394    | 3   |  |
| Expected credit loss (Note 6(b))                                                                                            | _  | 10,368    |     | 4,055     |     |  |
|                                                                                                                             | _  | 567,582   | 20  | 589,564   | 23  |  |
| Operating income                                                                                                            | _  | 209,088   | 8   | 64,381    | 2   |  |
| Non-operating income and expenses (Note 6(u)):                                                                              |    |           |     |           |     |  |
| Interest income                                                                                                             |    | 11,384    | -   | 1,427     | -   |  |
| Other income                                                                                                                |    | 2,676     | -   | 26,509    | 1   |  |
| Other gains and losses                                                                                                      |    | (1,221)   | -   | 83,765    | 3   |  |
| Finance costs (Note 6 (j) and (m))                                                                                          |    | (37,262)  | (1) | (33,449)  | (1) |  |
| Share of loss of associates accounted for using equity method (Note 6 (d))                                                  | _  | (75)      |     |           |     |  |
|                                                                                                                             | -  | (24,498)  | (1) | 78,252    | 3   |  |
| Profit before income tax                                                                                                    |    | 184,590   | 7   | 142,633   | 5   |  |
| Less: Income tax expenses (Note 6 (p))                                                                                      | _  | 73,597    | 3   | 33,752    | 1   |  |
| Profit for the period                                                                                                       | _  | 110,993   | 4   | 108,881   | 4   |  |
| Other comprehensive income:                                                                                                 |    |           |     |           |     |  |
| Components of other comprehensive income that will not be reclassified to profit or loss:                                   |    |           |     |           |     |  |
| Gains (losses) on remeasurements of defined benefit plans (Note 6 (o))                                                      |    | 1,513     | -   | 6,805     | -   |  |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6 (p)) |    |           |     |           |     |  |
| Ψ"                                                                                                                          | -  | (303)     |     | (1,361)   |     |  |
| Components of other comprehensive income that will be reclassified to profit or loss:                                       | -  | 1,210     |     | 5,444     |     |  |
| Exchange differences on translation of foreign financial statements Income tax related to components of other comprehensive |    | 31,556    | 1   | 84,510    | 3   |  |
| income that will be reclassified to profit or loss (Note 6 (p))                                                             | _  | (6,311)   |     | (16,902)  |     |  |
|                                                                                                                             | _  | 25,245    | 1_  | 67,608    | 3   |  |
| Other comprehensive income for the period, net of tax                                                                       | _  | 26,455    | 1_  | 73,052    | 3   |  |
| Total comprehensive income                                                                                                  | \$ | 137,448   | 5   | 181,933   | 7   |  |
| Earnings per share (NT Dollars) (Note 6(r))                                                                                 | -  |           |     |           |     |  |
| Basic earnings per share                                                                                                    | \$ | 2.02      |     | 1.98      |     |  |
| Diluted earnings per share                                                                                                  | \$ | 2.02      |     | 1.98      |     |  |
|                                                                                                                             | -  |           |     |           |     |  |

See accompanying notes to consolidated financial statements.

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity For the Years ended December 31, 2023 and 2022 (Expressed in thousands of New Taiwan Dollar)

## Equity attributable to owners of parent

|                                                     |              |                 | Retained earnings |                 |                                               |           | Other equity                                             |            |
|-----------------------------------------------------|--------------|-----------------|-------------------|-----------------|-----------------------------------------------|-----------|----------------------------------------------------------|------------|
|                                                     |              |                 |                   |                 | Unappropriated retained earnings (accumulated |           | Exchange differences on translation of foreign financial | Total      |
|                                                     | Common stock | Capital surplus | Legal reserve     | Special reserve | deficit)                                      | Total     | statements                                               | equity     |
| Balance at January 1, 2022                          | \$ 549,500   | 880,109         | 204,502           | 2,724           | (458,149)                                     | (250,923) | (77,767)                                                 | 1,100,919  |
| Profit for the period                               | -            | -               | -                 | -               | 108,881                                       | 108,881   | -                                                        | 108,881    |
| Other comprehensive income for the period           |              | <u> </u>        |                   |                 | 5,444                                         | 5,444     | 67,608                                                   | 73,052     |
| Total comprehensive income for the period           | -            | -               | -                 | -               | 114,325                                       | 114,325   | 67,608                                                   | 181,933    |
| Appropriation of earnings:                          |              |                 |                   |                 |                                               | _         |                                                          |            |
| Legal reserve used to offset accumulated deficits   | -            | -               | (204,502)         | -               | 204,502                                       | -         | -                                                        | -          |
| Balance at December 31, 2022                        | \$ 549,500   | 880,109         | -                 | 2,724           | (139,322)                                     | (136,598) | (10,159)                                                 | 1,282,852  |
| Balance at January 1, 2023                          | \$ 549,500   | 880,109         | -                 | 2,724           | (139,322)                                     | (136,598) | (10,159)                                                 | 1,282,852  |
| Profit for the period                               | -            | -               | -                 | -               | 110,993                                       | 110,993   | -                                                        | 110,993    |
| Other comprehensive income for the period           | -            | -               | -                 | -               | 1,210                                         | 1,210     | 25,245                                                   | 26,455     |
| Total comprehensive income for the period           | -            | -               | -                 | -               | 112,203                                       | 112,203   | 25,245                                                   | 137,448    |
| Appropriation of earnings:                          |              |                 |                   |                 |                                               |           |                                                          |            |
| Capital surplus used to offset accumulated deficits |              | (59,746)        | <u> </u>          |                 | 59,746                                        | 59,746    |                                                          | <u>-</u> _ |
| Balance at December 31, 2023                        | \$ 549,500   | 820,363         |                   | 2,724           | 32,627                                        | 35,351    | 15,086                                                   | 1,420,300  |

## QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows For the Years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar)

| Cash flows from (used in) operating activities:           Profit before tax         \$ 184,590         142,633           Adjustments to reconcile profit           Depreciation expense         133,268         174,427           Amortization expense         28,893         27,644           Expected credit loss         10,368         4,055           Net loss on financial assets or liabilities at fair value through profit or loss         -         286           Interest cexpense         37,262         33,449           Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (966)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         (7,311)         28,881           Increase (increase) in inotes receivable         (7,311)         28,881           Increase (increase) in interteceivable         (3,025)         8,164                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                               | <br>2023      | 2022      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|---------------|-----------|
| Adjustments to reconcile profit           Depreciation expense         133,268         174,427           Amortization expense         28,893         27,644           Expected credit loss         10,368         4,055           Net loss on financial assets or liabilities at fair value through profit or loss         286           Interest expense         37,262         33,449           Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         (7,311)         28,881           Increase in operating assets notes receivable         (7,311)         28,881           Increase (increase) in notes receivable         (7,311)         28,881           Decrease (increase) in inventories         88,731         (180,669)           Decrease (increase) in inventories         88,731         (180,669)           Decrease (increase) in o                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Cash flows from (used in) operating activities:               |               |           |
| Adjustments to reconcile profit         133,268         174,427           Amortization expense         28,893         27,644           Expected credit loss         10,368         4,055           Net loss on financial assets or liabilities at fair value through profit or loss         286           Interest expense         37,262         33,449           Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         (7,311)         28,881           Increase in operating assets receivable         (7,311)         28,881           Increase in trade receivable         (73,111)         28,881           Increase in intrade receivable         (210,868)         (59,157)           Decrease (increase) in inventories         88,731         (180,669)           Decrease (increase) in inventories         88,731         (180,669)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Profit before tax                                             | \$<br>184,590 | 142,633   |
| Depreciation expense         133,268         174,427           Amortization expense         28,893         27,644           Expected credit loss         10,368         4,055           Net loss on financial assets or liabilities at fair value through profit or loss         286           Interest expense         37,262         33,449           Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         -         -         3,347           Changes in operating assets and liabilities:         -         -         3,347           Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (7,311)         28,881           Increase in interactivable         (30,25)         8,164           Decrease (increase) in inventories         88,731         (180,869)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Adjustments:                                                  |               |           |
| Amortization expense         28,893         27,644           Expected credit loss         10,368         4,055           Net loss on financial assets or liabilities at fair value through profit or loss         2         286           Interest expense         37,262         33,449         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         -         -         3,347           Total experimance (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in operating assets         (1,291)         (1,063)           Total changes in operating assets         (1,291)         (1,063)           Increase (decrea                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Adjustments to reconcile profit                               |               |           |
| Expected credit loss         10,368         4,055           Net loss on financial assets or liabilities at fair value through profit or loss         -         286           Interest expense         37,262         33,449           Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         -         3,347           Changes in operating assets and liabilities:         -         3,347           Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         (1,291)         (1,063)           Total changes in operating liabilities:         (108,117)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Depreciation expense                                          | 133,268       | 174,427   |
| Net loss on financial assets or liabilities at fair value through profit or loss         -         286           Interest expense         37,262         33,449           Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         -         3,347           Changes in operating assets         -         3,347           Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease in other receivable         3,025         8,164           Decrease (increase) in other current assets         19,597         (29,673)           Increase in te defined benefit assets         (108,117)         (233,717)           Changes in operating liabilities:         (108,117)         (                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Amortization expense                                          | 28,893        | 27,644    |
| loss         -         286           Interest expense         37,262         33,449           Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         C         192,598           Changes in operating assets and liabilities:         (7,311)         28,881           Increase in trade receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (108,117)         (233,717)           Changes in operating liabilities:         (108,117)         (233,717)           Changes in operating liabilities         (169,651)         58,156                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Expected credit loss                                          | 10,368        | 4,055     |
| Interest income         (11,384)         (1,427)           Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         -         20,598           Changes in operating assets and liabilities:         -         20,598           Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease (increase) in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating liabilities:         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in notes payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                               | -             | 286       |
| Share of loss of associates accounted for using equity method         75         -           Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         Changes in operating assets         7,311         28,881           Increase (increase) in notes receivable         (210,868)         (59,157)           Decrease in other receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating liabilities:         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in notes payable         9         (4,628)           Decrease in other payable         39,755         136,966           Incre                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Interest expense                                              | 37,262        | 33,449    |
| Loss (gain) on disposal of property, plant and equipment         1,847         (936)           Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         State of the control of the                                                                                                                                                                                                                 | Interest income                                               | (11,384)      | (1,427)   |
| Unrealized foreign exchange loss (gain)         34,646         (48,247)           Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         Changes in operating assets:           Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         (169,651)         58,156           Increase in accounts payable         9         (4,628)           Decrease in other payable         99,838         (104,027)           Increase in other payable         39,755         136,966           Increase in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (133) <t< td=""><td>Share of loss of associates accounted for using equity method</td><td>75</td><td>-</td></t<>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Share of loss of associates accounted for using equity method | 75            | -         |
| Loss on lease modification         -         3,347           Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         Changes in operating assets:           Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         Increase (decrease) in contract liabilities         (169,651)         58,156           Increase (decrease) in notes payable         9         (4,628)           Decrease in accounts payable         9         (4,628)           Increase in other payable         39,755         136,966           Increase in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating asset                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Loss (gain) on disposal of property, plant and equipment      | 1,847         | (936)     |
| Total adjustments to reconcile profit         234,975         192,598           Changes in operating assets and liabilities:         Changes in operating assets:           Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         (169,651)         58,156           Increase in accounts payable         9         (4,628)           Decrease in accounts payable         (9,838)         (104,027)           Increase in provisions         7,824         935           Decrease in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating assets and liabilities         (240,151                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Unrealized foreign exchange loss (gain)                       | 34,646        | (48,247)  |
| Changes in operating assets and liabilities:           Changes in operating assets:         (7,311)         28,881           Increase (increase) in notes receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating liabilities:         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         (169,651)         58,156           Increase in accounts payable         9         (4,628)           Decrease in other payable         39,755         136,966           Increase in provisions         7,824         935           Decrease in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating assets and liabilities         (240,151)         (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Loss on lease modification                                    | <br><u> </u>  | 3,347     |
| Changes in operating assets:       (7,311)       28,881         Increase (increase) in notes receivable       (210,868)       (59,157)         Decrease in other receivable       3,025       8,164         Decrease (increase) in inventories       88,731       (180,869)         Decrease (increase) in other current assets       19,597       (29,673)         Increase in net defined benefit assets       (1,291)       (1,063)         Total changes in operating assets       (108,117)       (233,717)         Changes in operating liabilities:       (169,651)       58,156         Increase (decrease) in contract liabilities       (9,838)       (104,027)         Increase in accounts payable       (9,838)       (104,027)         Increase in other payable       39,755       136,966         Increase in provisions       7,824       935         Decrease in other current liabilities       (133)       (12,937)         Total changes in operating liabilities       (132,034)       74,465         Total changes in operating assets and liabilities       (240,151)       (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Total adjustments to reconcile profit                         | <br>234,975   | 192,598   |
| Decrease (increase) in notes receivable         (7,311)         28,881           Increase in trade receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         (9,838)         (104,027)           Increase in accounts payable         9         (4,628)           Decrease in other payable         39,755         136,966           Increase in provisions         7,824         935           Decrease in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating assets and liabilities         (240,151)         (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Changes in operating assets and liabilities:                  |               |           |
| Increase in trade receivable         (210,868)         (59,157)           Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         9         (4,628)           Decrease in accounts payable         9,838         (104,027)           Increase in other payable         39,755         136,966           Increase in provisions         7,824         935           Decrease in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating assets and liabilities         (240,151)         (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Changes in operating assets:                                  |               |           |
| Decrease in other receivable         3,025         8,164           Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         (169,651)         58,156           Increase in accounts payable         9         (4,628)           Decrease in accounts payable         (9,838)         (104,027)           Increase in other payable         39,755         136,966           Increase in provisions         7,824         935           Decrease in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating assets and liabilities         (240,151)         (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Decrease (increase) in notes receivable                       | (7,311)       | 28,881    |
| Decrease (increase) in inventories         88,731         (180,869)           Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         9         (4,628)           Decrease in accounts payable         (9,838)         (104,027)           Increase in other payable         39,755         136,966           Increase in provisions         7,824         935           Decrease in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating assets and liabilities         (240,151)         (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Increase in trade receivable                                  | (210,868)     | (59,157)  |
| Decrease (increase) in other current assets         19,597         (29,673)           Increase in net defined benefit assets         (1,291)         (1,063)           Total changes in operating assets         (108,117)         (233,717)           Changes in operating liabilities:         (169,651)         58,156           Increase (decrease) in contract liabilities         9         (4,628)           Decrease in accounts payable         (9,838)         (104,027)           Increase in other payable         39,755         136,966           Increase in provisions         7,824         935           Decrease in other current liabilities         (133)         (12,937)           Total changes in operating liabilities         (132,034)         74,465           Total changes in operating assets and liabilities         (240,151)         (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Decrease in other receivable                                  | 3,025         | 8,164     |
| Increase in net defined benefit assets (1,291) (1,063)  Total changes in operating assets (108,117) (233,717)  Changes in operating liabilities:  Increase (decrease) in contract liabilities (169,651) 58,156  Increase (decrease) in notes payable 9 (4,628)  Decrease in accounts payable (9,838) (104,027)  Increase in other payable 39,755 136,966  Increase in provisions 7,824 935  Decrease in other current liabilities (133) (12,937)  Total changes in operating liabilities (132,034) 74,465  Total changes in operating assets and liabilities (240,151) (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Decrease (increase) in inventories                            | 88,731        | (180,869) |
| Total changes in operating assets (108,117) (233,717)  Changes in operating liabilities:  Increase (decrease) in contract liabilities (169,651) 58,156  Increase (decrease) in notes payable 9 (4,628)  Decrease in accounts payable (9,838) (104,027)  Increase in other payable 39,755 136,966  Increase in provisions 7,824 935  Decrease in other current liabilities (133) (12,937)  Total changes in operating liabilities (132,034) 74,465  Total changes in operating assets and liabilities (240,151) (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Decrease (increase) in other current assets                   | 19,597        | (29,673)  |
| Changes in operating liabilities: Increase (decrease) in contract liabilities Increase (decrease) in notes payable Decrease in accounts payable Increase in other payable Increase in other payable Increase in provisions Increase in other current liabilities Total changes in operating liabilities  Total changes in operating assets and liabilities  (169,651)  58,156 (169,651) 58,156 (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (104,027) (10 | Increase in net defined benefit assets                        | <br>(1,291)   | (1,063)   |
| Increase (decrease) in contract liabilities(169,651)58,156Increase (decrease) in notes payable9(4,628)Decrease in accounts payable(9,838)(104,027)Increase in other payable39,755136,966Increase in provisions7,824935Decrease in other current liabilities(133)(12,937)Total changes in operating liabilities(132,034)74,465Total changes in operating assets and liabilities(240,151)(159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Total changes in operating assets                             | <br>(108,117) | (233,717) |
| Increase (decrease) in notes payable9(4,628)Decrease in accounts payable(9,838)(104,027)Increase in other payable39,755136,966Increase in provisions7,824935Decrease in other current liabilities(133)(12,937)Total changes in operating liabilities(132,034)74,465Total changes in operating assets and liabilities(240,151)(159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Changes in operating liabilities:                             |               |           |
| Decrease in accounts payable(9,838)(104,027)Increase in other payable39,755136,966Increase in provisions7,824935Decrease in other current liabilities(133)(12,937)Total changes in operating liabilities(132,034)74,465Total changes in operating assets and liabilities(240,151)(159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Increase (decrease) in contract liabilities                   | (169,651)     | 58,156    |
| Increase in other payable39,755136,966Increase in provisions7,824935Decrease in other current liabilities(133)(12,937)Total changes in operating liabilities(132,034)74,465Total changes in operating assets and liabilities(240,151)(159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Increase (decrease) in notes payable                          | 9             | (4,628)   |
| Increase in provisions7,824935Decrease in other current liabilities(133)(12,937)Total changes in operating liabilities(132,034)74,465Total changes in operating assets and liabilities(240,151)(159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Decrease in accounts payable                                  | (9,838)       | (104,027) |
| Decrease in other current liabilities (133) (12,937)  Total changes in operating liabilities (132,034) 74,465  Total changes in operating assets and liabilities (240,151) (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Increase in other payable                                     | 39,755        | 136,966   |
| Total changes in operating liabilities (132,034) 74,465  Total changes in operating assets and liabilities (240,151) (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Increase in provisions                                        | 7,824         | 935       |
| Total changes in operating assets and liabilities (240,151) (159,252)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Decrease in other current liabilities                         | (133)         | (12,937)  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Total changes in operating liabilities                        | <br>(132,034) | 74,465    |
| Total adjustments (5,176) 33,346                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Total changes in operating assets and liabilities             | <br>(240,151) | (159,252) |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Total adjustments                                             | <br>(5,176)   | 33,346    |

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows For the Years ended December 31, 2023 and 2022 (Expressed in thousands of New Taiwan Dollar)

|                                                              |    | 2023        | 2022      |
|--------------------------------------------------------------|----|-------------|-----------|
| Cash inflow generated from operations                        | _  | 179,414     | 175,979   |
| Interest received                                            |    | 11,384      | 1,427     |
| Interest paid                                                |    | (35,360)    | (33,121)  |
| Income taxes refund (paid)                                   | _  | (39,786)    | 30,328    |
| Net cash flows from (used in) operating activities           | _  | 115,652     | 174,613   |
| Cash flows from (used in) investing activities:              |    |             |           |
| Acquisition of investments accounted for using equity method |    | (34,889)    | -         |
| Acquisition of property, plant and equipment                 |    | (34,767)    | (23,452)  |
| Proceeds from disposal of property, plant and equipment      |    | 901         | 16,638    |
| Decrease (increase) in refundable deposits                   |    | (1,452)     | 785       |
| Acquisition of intangible assets                             |    | (5,137)     | (1,064)   |
| Decrease in other non-current assets                         |    | 31          | 31        |
| Net cash flows from (used in) investing activities           |    | (75,313)    | (7,062)   |
| Cash flows from (used in) financing activities:              |    |             |           |
| Increase in short-term loans                                 |    | 416,461     | 818,000   |
| Decrease in short-term loans                                 |    | (1,026,861) | (409,000) |
| Repayments of bonds                                          |    | -           | (4,800)   |
| Proceeds from long-term borrowings                           |    | 929,294     | -         |
| Repayments of long-term borrowings                           |    | (414,113)   | (526,207) |
| Payments of lease liabilities                                | _  | (34,242)    | (33,647)  |
| Net cash flows from (used in) financing activities           |    | (129,461)   | (155,654) |
| Effect of exchange rate changes on cash and cash equivalents |    | 27,389      | 19,214    |
| Net increase (decrease) in cash and cash equivalents         | _  | (61,733)    | 31,111    |
| Cash and cash equivalents at beginning of period             |    | 900,149     | 869,038   |
| Cash and cash equivalents at end of period                   | \$ | 838,416     | 900,149   |

### QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

### **Notes to Consolidated Financial Statements**

### For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

#### 1. Company history

Quaser Machine Tools, Inc. (the "Company") was incorporated in May 23, 1991 as a company limited by shares under the Company Act of the Republic of China (R.O.C). The registered address is No.3, Gong 6th Rd., Youshih Industrial Park, Dajia District, Taichung City, Taiwan (R.O.C.). The Company and its subsidiaries (collectively referred to as the "Group") mainly engage in manufacturing and sales of computer numerical control (CNC) machine centers, metal-working machines, and related machines.

The Company's common shares were listed on the Taipei Exchange (TPEx) Mainboard since July 12, 2018.

### 2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2024.

### 3. New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform Pillar Two Model Rules"
- (b) The impact of IFRSs issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"
- (c) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

 Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

### **QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements** 

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 21 "Lack of Exchangeability

### 4. Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to "IFRSs endorsed by the FSC").

#### (b) Basis of preparation

#### 1) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (i) Financial instruments at fair value through profit or loss are measured at fair value;
- (ii) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

#### 2) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

### (c) Basis of consolidation

#### 1) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

### QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

#### **Notes to Consolidated Financial Statements**

2) List of subsidiaries in the consolidated financial statements

|                  |                                                                     |                                                          | Percentage o         |                      |      |
|------------------|---------------------------------------------------------------------|----------------------------------------------------------|----------------------|----------------------|------|
| Name of investor | Name of subsidiary                                                  | Main businesses                                          | December 31,<br>2023 | December 31,<br>2022 | Note |
| The<br>Company   | Quaser Europe<br>Technical Center AG<br>("Quaser Europe")           | Buys and sells<br>machines                               | 100%                 | 100%                 |      |
| The<br>Company   | Quaser America<br>Machine Tools, Inc.<br>("Quaser America")         | Buys and sells machines                                  | 100%                 | 100%                 | 1    |
| The<br>Company   | Kunshan Quaser<br>Machine Tools, Inc.<br>("Kunshan Quaser")         | Buys and sells machines                                  | 100%                 | 100%                 |      |
| The<br>Company   | Quaser Europe<br>Technical Center<br>Gmbh ("Quaser<br>Europe Gmbh") | Buys and sells<br>machines                               | 100%                 | 100%                 | 2    |
| The<br>Company   | Winbro Group UK<br>Limited<br>("Winbro UK")                         | Overseas<br>reinvested holding<br>company                | 100%                 | 100%                 |      |
| Winbro<br>UK     | Winbro Group<br>Technologies Limited<br>("Winbro Ltd")              | Aerospace<br>machinery<br>manufacturing and<br>machining | 100%                 | 100%                 |      |
| Winbro<br>UK     | Winbro Group<br>Technologies LLC<br>("Winbro LLC")                  | Aerospace<br>machinery<br>manufacturing and<br>machining | 100%                 | 100%                 |      |

- Note 1: The liquidation of the Group's subsidiary, Quaser America, was resolved by the Board of Directors. As of December 31, 2023, the relevant procedures are still in process.
- Note 2: On May 4, 2023, the Company passed the resolution of the Board of Directors to increase its investment in the Group's subsidiary, Quaser Europe Gmbh, by \$120,607 thousand, and the relevant registration has been completed.
- 3) Subsidiaries excluded from the consolidated financial statements: None.

### (d) Foreign currencies

### 1) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(i) an investment in equity securities designated as at fair value through other comprehensive income;

### **OUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**

#### **Notes to Consolidated Financial Statements**

- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

### 2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency, New Taiwan Dollars, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency, New Taiwan Dollars, at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

### (e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- 1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is expected to be realized within twelve months after the reporting period; or
- 4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current. An entity shall classify a liability as current when:

- 1) It is expected to be settled in the normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is due to be settled within twelve months after the reporting period; or
- 4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

### (f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

#### (g) Financial instruments

### **OUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**

#### **Notes to Consolidated Financial Statements**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

### (i) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

### (ii) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

### (iii) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and notes receivable, other receivables, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly

### **OUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements** 

since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iv) Derecognition of financial assets

#### **Notes to Consolidated Financial Statements**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### 2) Financial liabilities and equity instruments

## i) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

# ii) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

#### iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

#### iv) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

## v) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged

#### **Notes to Consolidated Financial Statements**

or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

## vi) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### 3) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

#### (j) Property, plant and equipment

#### **Notes to Consolidated Financial Statements**

#### 1) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

## 2) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

## 3) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

Others

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| Buildings and structures     | 3-17 years                                                                                        |
|------------------------------|---------------------------------------------------------------------------------------------------|
| Machinery and equipment      | 1-17 years                                                                                        |
| Transportation equipment     | 1-5 years                                                                                         |
| Molding equipment            | 2-6 years                                                                                         |
| Other equipment              | 1-14 years                                                                                        |
| The main components and usef | ful lives of buildings and structures are as follows:                                             |
| Component                    | Useful lives                                                                                      |
| Main buildings               | 17 years                                                                                          |
|                              | Transportation equipment Molding equipment Other equipment The main components and usef Component |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3-16 years

#### (k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### 1) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### **Notes to Consolidated Financial Statements**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (i) fixed payments, including in-substance fixed payments;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable under a residual value guarantee; and
- (iv) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- i) there is a change in future lease payments arising from the change in an index or rate; or
- ii) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- iii) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- iv) there is a change of its assessment on whether it will exercise a extension or termination option; or
- v) there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of the offices and other sporadic leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 2) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

#### (1) Intangible assets

1) Recognition and measurement

**Notes to Consolidated Financial Statements** 

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, developed technology, software and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

#### 2) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

## 3) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

| (1) | Software                | 1-10 years |
|-----|-------------------------|------------|
| (2) | Trademarks              | 10 years   |
| (3) | Developed technology    | 7 years    |
| (4) | Customer relationship   | 15 years   |
| (5) | Technology licenses     | 2-20 years |
| (6) | Other intangible assets | 2-6 years  |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

#### **Notes to Consolidated Financial Statements**

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### (o) Revenue

#### 1) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

# i) Sale of goods

The Group manufactures and sells machines and parts. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

## ii) Revenue from the rendering of services

Revenue from the rendering of services comes from the machine repairing services and technical services.

# iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

#### (p) Employee benefits

## 1) Defined contribution plans

**Notes to Consolidated Financial Statements** 

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

# 2) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

# 4) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the

#### **Notes to Consolidated Financial Statements**

#### following:

- 1) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- 2) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- 3) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- 1) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- 2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - i) the same taxable entity; or
  - ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## (r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

## (s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

## 5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management

#### **Notes to Consolidated Financial Statements**

recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

#### Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(g) for further description of the impairment of goodwill.

The Group's accounting policies include measuring financial and non financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

# 6. Explanation of significant accounts

#### (a) Cash and cash equivalents

|                                                            |            | 2023    | 2022    |
|------------------------------------------------------------|------------|---------|---------|
| Petty cash and cash on hand                                | \$         | 1,078   | 1,229   |
| Checking and demand deposits                               |            | 764,874 | 806,790 |
| Time deposits                                              |            | 72,464  | 92,130  |
| Cash and cash equivalents in the consolidated statement of |            | _       |         |
| cash flows                                                 | \$ <u></u> | 838,416 | 900,149 |

Please refer to note 6(v) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

## (b) Notes receivable and trade receivable

|                                              | December 31,<br>2023 | December 31,<br>2022 |
|----------------------------------------------|----------------------|----------------------|
| Notes receivable from operating activities   | \$<br>30,571         | 23,269               |
| Trade receivables-measured as amortized cost | 681,327              | 502,475              |
| Less: Loss allowance                         | <br>(21,105)         | (11,776)             |
|                                              | \$<br>690,793        | 513,968              |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

#### **Notes to Consolidated Financial Statements**

|                             |    |                       | December 31, 2023            | 3  |                          |
|-----------------------------|----|-----------------------|------------------------------|----|--------------------------|
|                             | _  | Gross carrying amount | Weighted-averag<br>loss rate | ge | Loss allowance provision |
| Current                     | \$ | 618,117               | -                            | %  | -                        |
| 1 to 30 days past due       |    | 26,542                | -                            | %  | -                        |
| 31 to 60 days past due      |    | 17,548                | 3.46                         | %  | 607                      |
| 61 to 90 days past due      |    | 8,981                 | 5.59                         | %  | 502                      |
| 91 to 180 days past due     |    | 24,952                | 18.88                        | %  | 4,712                    |
| 181 to 360 days past due    |    | 947                   | 49.95                        | %  | 473                      |
| More than 361 days past due |    | 14,811                | 100.00                       | %  | 14,811                   |
|                             | \$ | 711,898               |                              |    | 21,105                   |

|                             | _  |                       | <b>December 31, 2022</b>     | ,  |                          |
|-----------------------------|----|-----------------------|------------------------------|----|--------------------------|
|                             |    | Gross carrying amount | Weighted-averag<br>loss rate | ge | Loss allowance provision |
| Current                     | \$ | 450,310               | -                            | %  | -                        |
| 1 to 30 days past due       |    | 30,146                | -                            | %  | =                        |
| 31 to 60 days past due      |    | 8,275                 | 4.87                         | %  | 403                      |
| 61 to 90 days past due      |    | 11,501                | 10.02                        | %  | 1,152                    |
| 91 to 180 days past due     |    | 13,302                | 20.12                        | %  | 2,676                    |
| 181 to 360 days past due    |    | 9,330                 | 50.00                        | %  | 4,665                    |
| More than 361 days past due |    | 2,880                 | 100.00                       | %  | 2,880                    |
|                             | \$ | 525,744               |                              | :  | 11,776                   |

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

|                                 | 2023         | 2022   |
|---------------------------------|--------------|--------|
| Balance at January 1            | \$<br>11,776 | 7,428  |
| Impairment losses recognized    | 10,368       | 4,055  |
| Amounts written off             | -            | (6)    |
| Effect of exchange rate changes | (1,039)      | 299    |
| Balance at December 31          | \$<br>21,105 | 11,776 |

The Group's notes receivable and trade receivable were not pledged as collateral as of December 31, 2023 and 2022. For further credit risk information, please refers to note 6(v).

#### (c) Inventories

|                  | December 31, 2023 | December 31, 2022 |
|------------------|-------------------|-------------------|
| Raw materials    | \$<br>566,667     | 658,265           |
| Work in progress | 323,324           | 365,191           |
| Finished goods   | 156,594           | 133,853           |
| Goods            | 12,166            | -                 |
|                  | \$<br>1,058,751   | 1,157,309         |

For the years ended December 31, 2023 and 2022, the amounts recognized as cost of sales in relation to inventories were \$1,983,223 thousand and \$1,945,975 thousand, respectively. For the years ended December 31, 2023 and 2022, the loss for inventory obsolescence (reversal gain) from the decrease (increase) in inventories' net realizable value amounted to \$10,857 thousand and \$(15,963) thousand, respectively. As of December 31, 2023 and 2022, none of the Group's inventories were pledged as collateral.

# (d) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date was as follows:

**Notes to Consolidated Financial Statements** 

|            | December 31, | December 31, |
|------------|--------------|--------------|
|            | 2023         | 2022         |
| Associates | \$<br>34,542 | -            |

(i) The Group invested in Zhongshan Xuguang Machinery Technology Co., Ltd. in June 2023 with an investment amount of CNY\$8,000 thousand and obtained 40% shareholding of Zhongshan Xuguang Machinery Technology Co., Ltd. The Group has significant influence on Zhongshan Xuguang Machinery Technology Co., Ltd.

The Group's financial information for investments accounted for using the equity method that are individually insignificant were as follows. These financial information were included in the consolidated financial statements.

| Carrying amount of individually insignificant associates' equity | \$ <u></u> | 34,542      |
|------------------------------------------------------------------|------------|-------------|
|                                                                  |            | 2023        |
| Attributable to the Group:                                       |            | ( <b></b> ) |
| Loss from continuing operations                                  | \$         | (75)        |
| Other comprehensive (loss) income                                |            | (272)       |
| Comprehensive (loss) income                                      | \$         | (347)       |

(ii) The Group's investment accounted for using equity method was not pledged as collateral as of December 31, 2023.

# (e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2023 and 2022, were as follows:

|                                                                                                                                                 |          | Land                  | Buildings and structures                   | Machinery and equipment                                     | Transportation equipment                              | Molding equipment                             | Other equipment                                          | Construction in progress             | Total                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------|--------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------|
| Cost:                                                                                                                                           | -        |                       |                                            |                                                             |                                                       |                                               |                                                          |                                      |                                                                 |
| Balance at January 1, 2023<br>Additions<br>Disposals<br>Reclassification                                                                        | \$       | 123,978               | 244,495<br>5,526<br>-<br>217               | 992,782<br>15,791<br>(6,893)<br>13,250                      | 5,627<br>-<br>(1,376)<br>(1,006)                      | 49,119<br>3,302                               | 245,721<br>7,212<br>(3,861)<br>335                       | 2,936                                | 1,661,722<br>34,767<br>(12,130)<br>12,796                       |
| Effects of exchange rate changes                                                                                                                |          | -                     | 1,350                                      | 20,796                                                      | (13)                                                  | -                                             | 3,089                                                    | (45)                                 | 25,177                                                          |
| Balance at December 31, 2023                                                                                                                    | s        | 123,978               | 251,588                                    | 1,035,726                                                   | 3,232                                                 | 52,421                                        | 252,496                                                  | 2,891                                | 1,722,332                                                       |
| Balance at January 1, 2022<br>Additions<br>Disposals<br>Reclassification<br>Effects of exchange rate changes<br>Balance at December 31, 2022    | s<br>s   | 123,978               | 242,583<br>-<br>-<br>-<br>1,912<br>244,495 | 973,514<br>21,627<br>(81,710)<br>2,451<br>76,900<br>992,782 | 4,345<br>(232)<br>1,244<br>270<br>5,627               | 48,614<br>505<br>-<br>-<br>-<br>49,119        | 239,666<br>1,320<br>(94)<br>(1,013)<br>5,842<br>245,721  | -<br>-<br>-<br>-<br>-<br>-           | 1,632,700<br>23,452<br>(82,036)<br>2,682<br>84,924<br>1,661,722 |
| Accumulated depreciation and impairments loss:                                                                                                  |          |                       |                                            |                                                             |                                                       |                                               |                                                          |                                      |                                                                 |
| Balance at January 1, 2023 Depreciation Disposals Reclassification Effects of exchange rate changes Balance at December 31, 2023                | s<br>s   | -<br>-<br>-<br>-<br>- | 223,196<br>8,066<br>-<br>1,079<br>232,341  | 681,044<br>81,924<br>(4,677)<br>-<br>15,624<br>773,915      | 4,802<br>167<br>(1,376)<br>(1,006)<br>-<br>2,587      | 46,262<br>1,644<br>-<br>-<br>-<br>-<br>47,906 | 230,111<br>6,969<br>(3,329)<br>1,006<br>2,927<br>237,684 | -<br>-<br>-<br>-<br>-<br>-           | 1,185,415<br>98,770<br>(9,382)<br>-<br>19,630<br>1,294,433      |
| Balance at January 1, 2022<br>Depreciation<br>Disposals<br>Reclassification<br>Effects of exchange rate changes<br>Balance at December 31, 2022 | \$<br>\$ | -<br>-<br>-<br>-<br>- | 213,956<br>8,185<br>-<br>1,055<br>223,196  | 600,142<br>115,379<br>(65,360)<br>-<br>30,883<br>681,044    | 3,259<br>284<br>(232)<br>1,244<br>247<br><b>4,802</b> | 44,137<br>2,125<br>-<br>-<br>-<br>-<br>46,262 | 218,171<br>9,760<br>(742)<br>(1,013)<br>3,935<br>230,111 | -<br>-<br>-<br>-<br>-<br>-<br>-<br>- | 1,079,665<br>135,733<br>(66,334)<br>231<br>36,120<br>1,185,415  |
| Carrying amount:                                                                                                                                |          |                       |                                            |                                                             |                                                       |                                               |                                                          |                                      |                                                                 |
| Balance at December 31, 2023                                                                                                                    | \$       | 123,978               | 19,247                                     | 261,811                                                     | 645                                                   | 4,515                                         | 14,812                                                   | 2,891                                | 427,899                                                         |
| Balance at January 1, 2022                                                                                                                      | \$       | 123,978               | 28,627                                     | 373,372                                                     | 1,086                                                 | 4,477                                         | 21,495                                                   |                                      | 553,035                                                         |
| Balance at December 31, 2022                                                                                                                    | \$       | 123,978               | 21,299                                     | 311,738                                                     | 825                                                   | 2,857                                         | 15,610                                                   |                                      | 476,307                                                         |

As of December 31, 2023 and 2022, the property and plant of the Group had been pledged as collateral for bank borrowings are set out in note 8.

**Notes to Consolidated Financial Statements** 

# (f) Right-of-use assets

The Group leases many assets including buildings, machinery, transportation equipment, and other equipment. Information about leases was presented below:

|                                  |            | Buildings | Machinery and equipment | Transportation equipment | Other equipment | Total    |
|----------------------------------|------------|-----------|-------------------------|--------------------------|-----------------|----------|
| Cost:                            | _          | 3         |                         |                          |                 |          |
| Balance at January 1, 2023       | \$         | 220,022   | 2,358                   | 13,141                   | 9,452           | 244,973  |
| Additions                        |            | 995       | 2,560                   | 6,919                    | -               | 10,474   |
| Write-off                        |            | (9,025)   | (1,578)                 | (3,410)                  | -               | (14,013) |
| Effects of exchange rate changes |            | 40        | (15)                    | 17                       | (1)             | 41       |
| Balance at December 31, 2023     | \$         | 212,032   | 3,325                   | 16,667                   | 9,451           | 241,475  |
| Balance at January 1, 2022       | \$         | 210,899   | 10,060                  | 13,887                   | 4,502           | 239,348  |
| Additions                        | Ψ          | 29,032    | 1.525                   | 5,505                    | 4.145           | 40,207   |
| Write-off                        |            | (42,381)  | (9,371)                 | (6,537)                  | (523)           | (58,812) |
| Reclassification                 |            | (.2,551)  | (710)                   | (232)                    | 710             | (232)    |
| Effects of exchange rate changes |            | 22,472    | 854                     | 518                      | 618             | 24,462   |
| Balance at December 31, 2022     | \$         | 220,022   | 2,358                   | 13,141                   | 9,452           | 244,973  |
| Accumulated depreciation:        |            |           |                         |                          |                 |          |
| Balance at January 1, 2023       | \$         | 82,748    | 1,688                   | 7,142                    | 3,711           | 95,289   |
| Depreciation                     | T          | 27,446    | 869                     | 3,909                    | 2,274           | 34,498   |
| Write-off                        |            | (9,025)   | (1,578)                 | (3,410)                  | · -             | (14,013) |
| Effects of exchange rate changes |            | (338)     | 11                      | 15                       | (35)            | (347)    |
| Balance at December 31, 2023     | \$ <u></u> | 100,831   | 990                     | 7,656                    | 5,950           | 115,427  |
| Balance at January 1, 2022       | \$         | 58,104    | 3.072                   | 8.065                    | 3,628           | 72,869   |
| Depreciation                     | T          | 26,872    | 5,188                   | 4,456                    | 2.178           | 38,694   |
| Write-off                        |            | (8,894)   | (6,860)                 | (6,844)                  | (1,090)         | (23,688) |
| Reclassification                 |            | -         | -                       | 1,161                    | (1,393)         | (232)    |
| Effects of exchange rate changes |            | 6,666     | 288                     | 304                      | 388             | 7,646    |
| Balance at December 31, 2022     | \$         | 82,748    | 1,688                   | 7,142                    | 3,711           | 95,289   |
| Carrying amount:                 |            |           |                         |                          |                 |          |
| Balance at December 31, 2023     | \$         | 111,201   | 2,335                   | 9,011                    | 3,501           | 126,048  |
| Balance at January 1, 2022       | \$         | 152,795   | 6,988                   | 5,822                    | 874             | 166,479  |
| Balance at December 31, 2022     | \$         | 137,274   | 670                     | 5,999                    | 5,741           | 149,684  |

# (g) Goodwill and intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2023 and 2022, were as follows:

|                                                 |    | Goodwill | Customer relationship | Developed<br>technology | Software | Technology<br>licenses | Trademarks | Others | Total   |
|-------------------------------------------------|----|----------|-----------------------|-------------------------|----------|------------------------|------------|--------|---------|
| Cost:                                           | _  |          |                       |                         |          |                        |            |        |         |
| Balance at January 1, 2023                      | \$ | 498,287  | 167,019               | 77,935                  | 40,625   | 2,430                  | 127        | 1,332  | 787,755 |
| Additions                                       |    | -        | -                     | -                       | 4,415    | 586                    | 136        | -      | 5,137   |
| Disposals                                       |    | -        | -                     | -                       | (649)    | (70)                   | (32)       | (200)  | (951)   |
| Effects of exchange rate changes                |    | (81)     | 1,859                 | 1,898                   | 1,876    | -                      | -          | -      | 5,552   |
| Balance at December 31, 2023                    | \$ | 498,206  | 168,878               | 79,833                  | 46,267   | 2,946                  | 231        | 1,132  | 797,493 |
| Balance at January 1, 2022                      | \$ | 449,658  | 150,540               | 70,246                  | 41,144   | 2,000                  | 83         | 2,076  | 715,747 |
| Additions                                       |    | -        | -                     | -                       | 509      | 430                    | 95         | 30     | 1,064   |
| Disposals                                       |    | -        | -                     | -                       | (1,443)  | -                      | (51)       | (774)  | (2,268) |
| Effects of exchange rate changes                |    | 48,629   | 16,479                | 7,689                   | 415      | -                      | -          | -      | 73,212  |
| Balance at December 31, 2022                    | \$ | 498,287  | 167,019               | 77,935                  | 40,625   | 2,430                  | 127        | 1,332  | 787,755 |
| Accumulated amortization and impairment losses: |    |          |                       |                         |          |                        |            |        |         |
| Balance at January 1, 2023                      | \$ | 199,507  | 33,772                | 34,210                  | 32,055   | 750                    | 34         | 774    | 301,102 |
| Amortization                                    |    | -        | 11,432                | 11,580                  | 4,892    | 571                    | 50         | 368    | 28,893  |
| Disposals                                       |    | -        | -                     | -                       | (649)    | (70)                   | (32)       | (200)  | (951)   |
| Effects of exchange rate changes                |    | (33)     | 1,707                 | 1,730                   | 1,642    | -                      | -          | -      | 5,046   |
| Balance at December 31, 2023                    | \$ | 199,474  | 46,911                | 47,520                  | 37,940   | 1,251                  | 52         | 942    | 334,090 |

#### **Notes to Consolidated Financial Statements**

|                                  | Goodwill      | Customer relationship | Developed<br>technology | Software | Technology<br>licenses | Trademarks | Others | Total   |
|----------------------------------|---------------|-----------------------|-------------------------|----------|------------------------|------------|--------|---------|
| Balance at January 1, 2022       | \$<br>179,834 | 20,290                | 20,554                  | 28,743   | 650                    | 72         | 892    | 251,035 |
| Amortization                     | -             | 10,945                | 11,086                  | 4,844    | 100                    | 13         | 656    | 27,644  |
| Disposals                        | -             | -                     | -                       | (1,443)  | -                      | (51)       | (774)  | (2,268) |
| Effects of exchange rate changes | 19,673        | 2,537                 | 2,570                   | (89)     | -                      | -          | -      | 24,691  |
| Balance at December 31, 2022     | \$<br>199,507 | 33,772                | 34,210                  | 32,055   | 750                    | 34         | 774    | 301,102 |
| Carrying amount:                 |               |                       |                         |          |                        |            |        |         |
| Balance at December 31, 2023     | \$<br>298,732 | 121,967               | 32,313                  | 8,327    | 1,695                  | 179        | 190    | 463,403 |
| Balance at January 1, 2022       | \$<br>269,824 | 130,250               | 49,692                  | 12,401   | 1,350                  | 11         | 1,184  | 464,712 |
| Balance at December 31, 2022     | \$<br>298,780 | 133,247               | 43,725                  | 8,570    | 1,680                  | 93         | 558    | 486,653 |

#### (i) Impairment testing for goodwill

Goodwill amounted \$495,282 thousand arising from the acquisition of Winbro UK on October 31, 2019 was mainly attributable to the expected benefit derived from the considerations paid. According to IAS 36, goodwill acquired in a business combination should be tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (CGU) that are expected to benefit from the synergies of the combination. Winbro UK itself is a separate CGU that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of Winbro UK with its carrying amount to determine whether an impairment loss should be recognized.

The Group evaluated the recoverable amount of goodwill at the end of reporting period and the recoverable amount was determined based on the value in use. The value in use was calculated based on the cash-generating unit cash flow forecast from the financial budgets covering the future five-year period with the annual discount rates to reflect the relevant specific risk in the cash-generating unit.

Based on the impairment assessment for the years ended December 31, 2023 and 2022, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

The annual discount rates for the years ended December 31, 2023 and 2022, were 11.02% and 11.75%, respectively.

(ii) The amortization of intangible assets was included in the statement of comprehensive income:

|                   |                | 2023   | 2022   |
|-------------------|----------------|--------|--------|
| Operating cost    | \$             | 206    | 134    |
| Operating expense |                | 28,687 | 27,510 |
|                   | \$ <del></del> | 28,893 | 27,644 |

## (iii) Collateral

None of the intangible assets held by the Group were pledged collateral as of December 31, 2023 and 2022.

#### (h) Other current assets and other non-current assets

The other current assets and other non-current assets of the Group were as follows:

#### **Notes to Consolidated Financial Statements**

|                           | D  | December 31,<br>2023 |        |
|---------------------------|----|----------------------|--------|
| Other current assets:     |    |                      |        |
| Prepayments               | \$ | 34,450               | 58,401 |
| Others                    |    | 21,860               | 17,063 |
|                           | \$ | 56,310               | 75,464 |
| Other non-current assets: |    |                      |        |
| Refundable deposits       | \$ | 3,981                | 2,550  |
| Others                    |    | 26                   | 58     |
|                           | \$ | 4,007                | 2,608  |

## (i) Short-term borrowings

The short-term borrowings of the Group were summarized as follows:

|                                | D-           | December 31,<br>2022 |              |
|--------------------------------|--------------|----------------------|--------------|
| Unsecured bank loans           | \$           | 552,000              | 819,000      |
| Secured bank loans             |              |                      | 343,400      |
|                                | \$           | 552,000              | 1,162,400    |
| Unused short-term credit lines | \$           | 507,000              | 700,000      |
| Range of interest rates        | 1.82%~2.125% |                      | 1.57%~2.325% |

The Group sets out the assets as pledged collateral for short-term borrowings in note 8.

## (j) Lease liabilities

The lease liabilities of the Group were summarized as follows:

|             | December 31, | December 31, 2022 |  |
|-------------|--------------|-------------------|--|
|             | <br>2023     |                   |  |
| Current     | \$<br>35,948 | 61,323            |  |
| Non-current | \$<br>99,992 | 98,001            |  |

For the maturity analysis, please refer to note 6(v) Financial instruments.

The amounts recognized in profit or loss were as follows:

|                                        | 2023        | 2022  |
|----------------------------------------|-------------|-------|
| Interest on lease liabilities          | \$<br>4,935 | 5,482 |
| Expenses relating to short-term leases | \$<br>5,779 | 4,822 |

The amounts recognized in the statement of cash flows by the Group were as follows:

|                               | <br>2023     | 2022   |
|-------------------------------|--------------|--------|
| Total cash outflow for leases | \$<br>44,956 | 43,951 |

## (i) Real estate leases

The Group leases buildings for the use of offices and plants with lease terms of 1 to 15 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

## (ii) Other leases

#### **Notes to Consolidated Financial Statements**

The Group leases machinery, transportation equipment, and other equipment with lease terms of 2 to 6 years.

## (k) Other payables

The other payables of the Group were summarized as follows:

|                                            | December 31,<br>2023 |         | December 31,<br>2022 |
|--------------------------------------------|----------------------|---------|----------------------|
| Salary and bonus payable                   | \$                   | 66,844  | 72,262               |
| Pensions payable                           |                      | 1,925   | 1,950                |
| Employee and director compensation payable |                      | 4,763   | -                    |
| Commissions payable                        |                      | 70,030  | 46,319               |
| Others                                     |                      | 139,311 | 120,277              |
|                                            | \$                   | 282,873 | 240,808              |

#### (1) Long-term borrowings

The long-term borrowings of the Group were summarized as follows:

|                               | December 31, 2023 |               |           |    |         |  |  |
|-------------------------------|-------------------|---------------|-----------|----|---------|--|--|
|                               |                   |               | Maturity  |    |         |  |  |
|                               | Currency          | Rate          | year      |    | Amount  |  |  |
| Unsecured bank loans          | NTD               | 1.896%~2.095% | 2025~2028 | \$ | 435,000 |  |  |
| Secured bank loans            | NTD               | 2.204%        | 2028      |    | 518,294 |  |  |
|                               |                   |               |           |    | 953,294 |  |  |
| Less: current portion         |                   |               |           |    | (2,806) |  |  |
| Total                         |                   |               |           | \$ | 950,488 |  |  |
| Unused long-term credit lines |                   |               |           | \$ | 871,706 |  |  |

|                               | December 31, 2022 |        |          |    |           |  |
|-------------------------------|-------------------|--------|----------|----|-----------|--|
|                               |                   |        | Maturity |    |           |  |
|                               | Currency          | Rate   | year     |    | Amount    |  |
| Unsecured bank loans          | NTD               | 2.275% | 2026     | \$ | 73,252    |  |
| Secured bank loans            | NTD               | 2.757% | 2024     |    | 364,861   |  |
|                               |                   |        |          |    | 438,113   |  |
| Less: current portion         |                   |        |          |    | (135,224) |  |
| Total                         |                   |        |          | \$ | 302,889   |  |
| Unused long-term credit lines |                   |        |          | \$ | 242,725   |  |

## (i) Syndicated loan

The Group entered into US\$38,100 thousand and NT\$526,000 thousand syndicated loan agreement with Taishin International Bank in October 2019 with annual interest rate of 2.084%. The agreement period is 5 years, which can be extended for 2 years upon application for once only. The funds were used to acquire 100% ownership of Winbro UK.

Under the syndicated loan agreement revised in 2021, the ratios and limitations shall be maintained as follows and calculated based on independent auditors' annual and semi-annual consolidated financial statements. For the collateral for long-term borrowings, please refer to note 8.

- 1) Current ratio (current assets / current liabilities) not less than 100%.
- 2) Leverage ratio (net financial liabilities / sum of profit before income tax, depreciation expenses, amortizations and interest expenses) each year shall not be higher than the following:

**Notes to Consolidated Financial Statements** 

| Financial year | 2022 | 2023 | 2024 | 2025 | 2026 |
|----------------|------|------|------|------|------|
| Leverage ratio | 350% | 275% | 200% | 150% | 150% |

3) Interest coverage ratio (sum of profit before income tax, depreciation expenses, amortizations, and interest expenses / interest expenses) - each year shall not be lower than the following:

| Financial year          | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------|------|------|------|------|------|
| Interest coverage ratio | 350% | 500% | 500% | 500% | 500% |

4) Equity - each year shall not be lower than the following:

(In Thousands of New Taiwan Dollars)

Dogombon 21

| Financial year | 2022      | 2023      | 2024      | 2025      | 2026      |
|----------------|-----------|-----------|-----------|-----------|-----------|
| Equity         | 1,200,000 | 1,200,000 | 1,300,000 | 1,350,000 | 1,400,000 |

The Group has re-signed the syndicated loan agreement with Taishin International Bank in July 2023. The loan amount was NT\$1,290,000 thousand with a 5-year credit period. The funds obtained from the syndicated loan agreement were used to repay outstanding loans and enrich medium-term working capital.

Under the syndicated loan agreement re-signed in 2023, the ratios and limitations shall be maintained as follows and calculated based on independent auditors' annual and semi-annual consolidated financial statements from 2023. For the collateral for long-term borrowings, please refer to note 8.

- 1) Current ratio (current assets / current liabilities) not less than 100%.
- 2) Gearing ratio (total liabilities deduct cash / total equity) not higher than 200%.
- 3) Interest coverage ratio (sum of profit before income tax, depreciation expenses, amortizations, and interest expenses / interest expenses) not less than 300%.
- 4) Equity not less than \$1,000,000 thousand.

As of December 31, 2023 and 2022, the Group was in compliance with the above borrowing covenants.

(ii) Collateral for long-term borrowings

The Group set out the assets as pledged collateral for long-term borrowings in note 8.

## (m) Bonds payable

The details of unsecured convertible bonds were as follows:

|                                                                                            |          | 2022      |
|--------------------------------------------------------------------------------------------|----------|-----------|
| Total convertible corporate bonds issued                                                   | \$       | 200,000   |
| Cumulative redeemed amount                                                                 |          | (200,000) |
| Corporate bonds issued balance at year-end                                                 | \$       | -         |
| Equity component – conversion options, included in capital surplus – stock options         | \$       | _         |
| Equity component – conversion options, included in capital surplus – expired stock options | \$       | 6,642     |
| Independ annual                                                                            | φ        | 2022      |
| Interest expense                                                                           | <b>D</b> | /0        |

The Company issued 2,000 unsecured convertible bonds with three years on October 9, 2019. The coupon rate of the bond was 0%. The Group paid interest quarterly at an effective interest rate of

#### **Notes to Consolidated Financial Statements**

0.1582%.

The conversion price was set at \$52.50 per share at the time of issuance. In the event of an adjustment to the conversion price of the Company's ordinary shares that complies with the terms of issuance, the conversion price shall be adjusted according to the formula specified in the terms of issuance. There were no reset terms for this bond.

At any time within three months after the issuance date till 40 days before maturity date (from January 10, 2020 to August 30, 2022), the Company could call back the outstanding bonds by cash at par value within five business days after the benchmark date of bond retirement if the closing price of the Company's common shares exceeded the conversion price for 30 successive business days for up to 30% (inclusive), or the outstanding balance of the bonds was less than 10% of total initial issuance value.

Bondholders were entitled to exercise the put options after 2 years from the issuance date, and the put date would be on October 9, 2021. The interest compensation was 101.0025% of face value of convertible bond (the real yield was 0.5%). Upon receipt of a sell request, the Company should pay the amount to the bondholders by cash within five business days of the put date.

The Company repurchased the convertible bonds with 48 units on October 11, 2022 and the payment amounted to \$4,800 thousand.

## (n) Provisions

|                                     |                | Employee |
|-------------------------------------|----------------|----------|
|                                     | <br>Varranties | benefits |
| Balance at January 1, 2023          | \$<br>13,960   | 4,106    |
| Provisions made during the year     | 18,408         | 562      |
| Provisions used during the year     | (11,384)       | -        |
| Effects of exchange rate changes    | 117            | -        |
| Balance at December 31, 2023        | \$<br>21,101   | 4,668    |
| Balance at January 1, 2022          | \$<br>11,955   | 5,176    |
| Provisions made during the year     | 17,533         | , -      |
| Provisions used during the year     | (12,055)       | -        |
| Provisions reversed during the year | (3,671)        | (1,070)  |
| Effects of exchange rate changes    | 198            | -        |
| Balance at December 31, 2022        | \$<br>13,960   | 4,106    |

- (i) 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 Group's obligations for warranties under local sale of goods legislation. The provision is based on estimates made from estimates made from historical warranty trends and may vary because of new materials, altered manufacturing processes or other events affecting product quality.
- (ii) The provision for employee benefits represents vested long-term service compensation made by employees.

#### (o) Employee benefits

#### (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

**Notes to Consolidated Financial Statements** 

|                                                  | <br>December 31,<br>2023 | December 31,<br>2022 |
|--------------------------------------------------|--------------------------|----------------------|
| Present value of the defined benefit obligations | \$<br>20,792             | 22,985               |
| Fair value of plan assets                        | (42,253)                 | (41,642)             |
| Net defined benefit assets                       | \$<br>(21,461)           | (18,657)             |

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

#### 1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$41,780 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

#### 2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

|                                                | <br>2023     | 2022    |
|------------------------------------------------|--------------|---------|
| Defined benefit obligations at January 1       | \$<br>22,985 | 26,711  |
| Current service costs and interest             | 345          | 134     |
| Remeasurements loss (gain):                    |              |         |
| —Actuarial loss (gain) arising from changes in |              |         |
| demographic assumptions                        | 47           | -       |
| -Actuarial loss (gain) arising from changes in |              |         |
| experience adjustments                         | (1,240)      | (703)   |
| -Actuarial loss (gain) arising from changes in |              |         |
| financial assumptions                          | (67)         | (3,157) |
| Benefits paid                                  | (1,278)      | -       |
| Defined benefit obligations at December 31     | \$<br>20,792 | 22,985  |

#### 3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

| 10110 1151                                                   |              |        |
|--------------------------------------------------------------|--------------|--------|
|                                                              | 2023         | 2022   |
| Fair value of plan assets at January 1                       | \$<br>41,642 | 37,500 |
| Interest income                                              | 633          | 190    |
| Remeasurements loss (gain):                                  |              |        |
| <ul> <li>Return on plan assets excluding interest</li> </ul> |              |        |
| income                                                       | 253          | 2,945  |
| Contributions paid by the employer                           | 1,003        | 1,007  |
| Benefits paid                                                | (1,278)      | -      |
| Fair value of plan assets at December 31                     | \$<br>42,253 | 41,642 |

#### **Notes to Consolidated Financial Statements**

#### 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

|                                                  |     | 2023  | 2022 |
|--------------------------------------------------|-----|-------|------|
| Net interest of net liabilities for defined bene | fit |       |      |
| obligations                                      | \$  | (288) | (56) |
| Operating cost                                   | \$  | (148) | (33) |
| Selling expenses                                 |     | (88)  | (11) |
| Administration expenses                          |     | (52)  | (12) |
|                                                  | \$  | (288) | (56) |

# 5) Remeasurement in net defined benefit assets recognized in other comprehensive income

The remeasurement in net defined benefit assets recognized in other comprehensive income for the Group were as follows:

|                                   | <br>2023       | 2022     |
|-----------------------------------|----------------|----------|
| Accumulated amount at January 1   | \$<br>(14,195) | (21,000) |
| Recognized during the period      | <br>1,513      | 6,805    |
| Accumulated amount at December 31 | \$<br>(12,682) | (14,195) |

#### 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

|                             | December 31, | December 31, |
|-----------------------------|--------------|--------------|
|                             | 2023         | 2022         |
| Discount rate               | 1.30%        | 1.50%        |
| Future salary increase rate | 2.50%        | 2.75%        |

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date for 2023 is \$1,005 thousand.

The weighted-average lifetime of the defined benefits plans for the year ended December 31, 2023 is 12.2 years.

#### 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|                               | Impact on the defined benefit obligations |                 |  |  |
|-------------------------------|-------------------------------------------|-----------------|--|--|
|                               | Increased 0.25%                           | Decreased 0.25% |  |  |
| December 31, 2023:            |                                           |                 |  |  |
| Discount rate                 | \$<br>(615)                               | 639             |  |  |
| Future salary increasing rate | 578                                       | (560)           |  |  |
| December 31, 2022:            |                                           |                 |  |  |
| Discount rate                 | (712)                                     | 741             |  |  |
| Future salary increasing rate | 719                                       | (694)           |  |  |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

**Notes to Consolidated Financial Statements** 

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

## (ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$6,734 thousand and \$6,718 thousand for the years ended December 31, 2023 and 2022, respectively.

Except for the Company, other subsidiaries adopted the defined contribution method under their local law, wherein the pension costs which have been allocated to the foreign pension institutions were amounted to \$25,846 thousand and \$21,017 thousand for the years ended December 31, 2023 and 2022, respectively.

## (p) Income taxes

(i) The components of income tax were as follows:

|                                                   | <br>2023     | 2022     |
|---------------------------------------------------|--------------|----------|
| Current tax expense                               |              |          |
| Current period                                    | \$<br>62,105 | 19,476   |
| Adjustment for prior periods                      | 15,005       | (14,618) |
|                                                   | 77,110       | 4,858    |
| Deferred tax expense                              |              |          |
| Origination and reversal of temporary differences | (3,513)      | 28,894   |
| Income tax expense                                | \$<br>73,597 | 33,752   |

(ii) The amounts of income tax recognized in other comprehensive income were as follows:

|                                                                     |     | 2023    | 2022     |
|---------------------------------------------------------------------|-----|---------|----------|
| Items that will not be reclassified subsequently profit or loss:    | to  |         |          |
| Remeasurement from defined benefit plans                            | \$  | (303)   | (1,361)  |
| Items that may be reclassified subsequently to protor loss:         | fit |         |          |
| Exchange differences on translation of foreign financial statements | \$  | (6,311) | (16,902) |

(iii) Reconciliation of income tax and profit before tax for 2023 and 2022, were as follows:

**Notes to Consolidated Financial Statements** 

|                                                        |    | 2023    | 2022     |
|--------------------------------------------------------|----|---------|----------|
| Profit before income tax                               | \$ | 184,590 | 142,633  |
| Income tax using the Company's domestic tax            | \$ | 36,918  | 28,527   |
| Effect of tax rates in foreign jurisdiction            |    | 13,874  | 16,669   |
| Non-deductible expenses                                |    | -       | 14       |
| Tax-exempt income                                      |    | (4)     | -        |
| Usage of previously unrecognized tax losses            |    | 7,777   | -        |
| Current-year losses for which no deferred tax asset wa | .S |         |          |
| recognized                                             |    | 1,654   | 2,050    |
| Adjustments of current income tax for prior periods    |    | 15,005  | (14,618) |
| Effect of deferred income tax assets                   |    | -       | (517)    |
| Change in unrecognized temporary differences           |    | (1,627) | 1,627    |
| Income tax expense                                     | \$ | 73,597  | 33,752   |

# (iv) Deferred tax assets and liabilities

# 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

|                                                                                   | December 31,<br>2023 | December 31,<br>2022 |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
| Aggregated amount of temporary differences related to investments in subsidiaries | \$<br>207,969        | 207,969              |
| Tax effect of deductible temporary differences                                    | -                    | 8,135                |
| The carryforward of unused tax losses                                             | 91,808               | 93,743               |
|                                                                                   | \$<br>299,777        | 309,847              |
| Unrecognized deferred tax assets                                                  | \$<br>59,955         | 61,969               |

# 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax assets:

|                              |    | Defined<br>Benefit<br>Plans | Inventory<br>write-<br>down | Unrealized<br>gross profit | Loss<br>carryforwards | Loss on foreign investment accounted for using the equity method | Exchange<br>differences on<br>translating<br>foreign<br>operations | Others  | Total    |
|------------------------------|----|-----------------------------|-----------------------------|----------------------------|-----------------------|------------------------------------------------------------------|--------------------------------------------------------------------|---------|----------|
| Balance at January 1, 2023   | \$ | 5,120                       | 7,131                       | 10,313                     | 6,267                 | 59,686                                                           | 2,539                                                              | 2,166   | 93,222   |
| Recognized in profit or loss |    | 113                         | 371                         | (386)                      | (6,267)               | (10,777)                                                         | -                                                                  | 5,758   | (11,188) |
| Recognized in other          |    |                             |                             |                            |                       |                                                                  |                                                                    |         |          |
| comprehensive income         | _  | (303)                       | <u> </u>                    |                            |                       | <u> </u>                                                         | (2,539)                                                            |         | (2,842)  |
| Balance at December 31, 2023 | \$ | 4,930                       | 7,502                       | 9,927                      |                       | 48,909                                                           |                                                                    | 7,924   | 79,192   |
| Balance at January 1, 2022   | \$ | 6,695                       | 7,263                       | 4,320                      | 22,462                | 62,422                                                           | 19,441                                                             | 9,050   | 131,653  |
| Recognized in profit or loss |    | (214)                       | (132)                       | 5,993                      | (16,195)              | (2,736)                                                          | -                                                                  | (6,884) | (20,168) |
| Recognized in other          |    |                             |                             |                            |                       |                                                                  |                                                                    |         |          |
| comprehensive income         | _  | (1,361)                     |                             |                            |                       |                                                                  | (16,902)                                                           |         | (18,263) |
| Balance at December 31, 2022 | \$ | 5,120                       | 7,131                       | 10,313                     | 6,267                 | 59,686                                                           | 2,539                                                              | 2,166   | 93,222   |

**Notes to Consolidated Financial Statements** 

Deferred tax liabilities:

|                                          | Exchange<br>differences on<br>translation of<br>foreign financial<br>statements | Unrealized<br>exchange<br>gains | Others  | Total    |
|------------------------------------------|---------------------------------------------------------------------------------|---------------------------------|---------|----------|
| Balance at January 1, 2023               | \$<br>-                                                                         | 9,649                           | 35,524  | 45,173   |
| Recognized in profit or loss             | -                                                                               | (9,649)                         | (5,052) | (14,701) |
| Recognized in other comprehensive income | 3,772                                                                           | -                               | -       | 3,772    |
| Effects of exchange rate changes         | <u> </u>                                                                        |                                 | 585     | 585      |
| Balance at December 31, 2023             | \$<br>3,772                                                                     |                                 | 31,057  | 34,829   |
| Balance at January 1, 2022               | \$<br>-                                                                         | -                               | 33,616  | 33,616   |
| Recognized in profit or loss             | -                                                                               | 9,649                           | (923)   | 8,726    |
| Effects of exchange rate changes         | <u>-</u> _                                                                      |                                 | 2,831   | 2,831    |
| Balance at December 31, 2022             | \$<br>-                                                                         | 9,649                           | 35,524  | 45,173   |

(v) As of December 31, 2023, the information of the Group's unused tax losses were as follows:

| Year of loss | Unused tax loss | <b>Expiry date</b> |
|--------------|-----------------|--------------------|
| 2017         | \$<br>8,977     | 2037               |
| 2018         | 19,043          | 2038               |
| 2019         | 29,178          | 2039               |
| 2020         | 12,631          | 2040               |
| 2021         | 5,999           | 2041               |
| 2023         | 957             | 2043               |
| Total        | \$<br>76,785    |                    |

The unused tax loss of the Group's subsidiary, Quaser Europe Gmbh, was \$15,023 thousand on December 31, 2023. There were no expiry date for tax loss deductions according to local tax laws.

# (vi) Assessment of tax

The Company's income tax returns for the year 2021 has been examined and approved by the tax authorities. However, the Company's income tax returns of 2020 year is still on assessment.

# (q) Capital and other equity

#### (i) Common Stock

As of December 31, 2023 and 2022, the Company's government registered total authorized capital both amounted to \$800,000 thousand divided into 80,000 thousand shares of stock with \$10 per share. The outstanding shares of common stock were both \$549,500 thousand with \$10 per share.

## (ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

**Notes to Consolidated Financial Statements** 

|                                                      | December 31,<br>2023 | December 31,<br>2022 |
|------------------------------------------------------|----------------------|----------------------|
| May be used to offset a deficit, distributed as cash |                      |                      |
| dividends, or transferred to share capital           |                      |                      |
| Premium from issuance of common stock (with          | \$<br>791,886        | 791,886              |
| cash inflow)                                         |                      |                      |
| Treasury share transactions                          | 3,139                | 3,139                |
| May be used to offset a deficit only                 |                      |                      |
| Premium from issuance of common stock                | 18,696               | 57,271               |
| (without cash inflow)                                |                      |                      |
| Treasury share transactions                          | -                    | 21,171               |
| Expired stock options                                | 6,642                | 6,642                |
|                                                      | \$<br>820,363        | 880,109              |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

## (iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The distribution of dividends by the Company can be in the form of cash or issuing new shares according to the Company's annual surplus in the current year and the overall industry's environment. However, cash dividends shall not be lower than 60% of the total dividends distributed, which may be adjusted in the shareholders' meeting based on the actual profit in the current year or the state of operations.

#### 1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

#### 2) Special reserve

As the Company opted for the exemptions allowed under IFRS1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs as endorsed by the FSC, it is stipulated to set aside the same amount of special surplus reserve of \$2,724 thousand were reclassified to retained earnings. A special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately.

Evahanca differences on

## **OUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**

#### **Notes to Consolidated Financial Statements**

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

#### 3) Earnings distribution

There was no earnings distribution for 2022 and 2021 based on the resolution made during the shareholders' meeting on June 15, 2023 and June 16, 2022.

On March 12, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. These earnings were appropriated as follows:

|                                                | <br>2023                            | •            |
|------------------------------------------------|-------------------------------------|--------------|
|                                                | Amount per<br>share<br>(NT dollars) | Total amount |
| Dividends distributed to ordinary shareholders | <br>_                               |              |
| Cash                                           | \$<br>0.534                         | 29,343       |

#### (iv) Other comprehensive income accumulated in reserves, net of tax

|                                            | _         | translation of foreign financial statements |
|--------------------------------------------|-----------|---------------------------------------------|
| Balance at January 1, 2023                 | \$        | (10,159)                                    |
| Exchange differences on foreign operations |           | 31,556                                      |
| Income tax                                 |           | (6,311)                                     |
| Balance at December 31, 2023               | <b>\$</b> | 15,086                                      |
| Balance at January 1, 2022                 | \$        | (77,767)                                    |
| Exchange differences on foreign operations |           | 84,510                                      |
| Income tax                                 |           | (16,902)                                    |
| Balance at December 31, 2022               | <b>\$</b> | (10,159)                                    |

# (r) Earnings per share

The calculations of the Group's basic earnings per share and diluted earnings per share were as follows:

#### (i) Basic earnings per share

|                                                         | <br>2023      | 2022    |
|---------------------------------------------------------|---------------|---------|
| Net profit attributable to ordinary shareholders of the |               |         |
| Company (basic)                                         | \$<br>110,993 | 108,881 |
| Weighted average number of ordinary shares              | <br>          |         |
| outstanding (in thousands of shares)                    | <br>54,950    | 54,950  |
| Basic earnings per share (expressed in NT dollars)      | \$<br>2.02    | 1.98    |

2022

2,270,951

2,583,957

313,006

2022

2,256,732

2,770,750

514,018

## **QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**

#### **Notes to Consolidated Financial Statements**

| (ii) | Diluted | l earnings | per s | hare |
|------|---------|------------|-------|------|
|------|---------|------------|-------|------|

|                                                                                         |            | 2023      | 2022      |
|-----------------------------------------------------------------------------------------|------------|-----------|-----------|
| Net profit attributable to ordinary shareholders of the Company (basic)                 | \$         | 110,993   | 108,881   |
| Effect of dilutive potential ordinary shares                                            |            |           |           |
| Interest expense on convertible bonds, net of tax                                       |            | -         | 54        |
| Net profit attributable to ordinary shareholders of the                                 |            |           |           |
| Company (diluted)                                                                       | \$         | 110,993   | 108,935   |
| Weighted average number of ordinary shares outstanding (basic) (in thousands of shares) |            | 54,950    | 54,950    |
| Effect of dilutive potential ordinary shares                                            |            |           |           |
| Effect of conversion of convertible bonds                                               |            | -         | 74        |
| Effect on employees' compensation                                                       |            | 69        | -         |
| Weighted average number of ordinary shares                                              |            |           |           |
| outstanding (diluted) (in thousands of shares)                                          |            | 55,019    | 55,024    |
| Diluted earnings per share (expressed in NT dollars)                                    | \$ <u></u> | 2.02      | 1.98      |
| Revenue from contracts with customers                                                   |            |           |           |
| (i) Disaggregation of revenue                                                           |            |           |           |
|                                                                                         |            | 2023      | 2022      |
| Primary geographical markets                                                            |            |           |           |
| Europe                                                                                  | \$         | 1,282,767 | 1,502,359 |
| Asia                                                                                    |            | 618,013   | 425,860   |
| Americas                                                                                |            | 868,313   | 655,150   |
| Others                                                                                  |            | 1,657     | 588       |
|                                                                                         | <b>\$</b>  | 2,770,750 | 2,583,957 |
| Major products/services                                                                 |            |           |           |
|                                                                                         |            |           |           |

## (ii) Contract balances

Sales of goods

Rendering of services

(s)

|                      | Dece | mber 31, 2023 | <b>December 31, 2022</b> | <b>January 1, 2022</b> |
|----------------------|------|---------------|--------------------------|------------------------|
| Contract liabilities | \$   | 178,607       | 345,740                  | 287,584                |

For details on trade and notes receivables and allowance for impairment, please refer to note 6(b).

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

### (t) Employee compensation and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 5.52% of the profit as employee compensation and less than 2.07% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors.

For the years ended December 31, 2023, the Company estimated its employee compensation and directors' remuneration amounting to \$3,464 thousand and \$1,299 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed

2022

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

#### **Notes to Consolidated Financial Statements**

under operating expenses during 2023. There were profit before tax for the year ended December 31, 2022, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023.

#### (u) Non-operating income and expenses

## (i) Interest income

The details of interest income were as follows:

|                                    | <br>2023     | 2022  |
|------------------------------------|--------------|-------|
| Interest income from bank deposits | \$<br>11,384 | 1,427 |

2022

#### (ii) Other income

The details of other income were as follows:

|                                         | <br>2023    | 2022   |
|-----------------------------------------|-------------|--------|
| Rent income                             | \$<br>169   | 184    |
| Government grants                       | 515         | 362    |
| Benefit for writing off overdue amounts | -           | 20,310 |
| Others                                  | 1,992       | 5,653  |
|                                         | \$<br>2,676 | 26,509 |

#### (iii) Other gains and losses

The details of other gains and losses were as follows:

|                                                                               | 2023    | 2022    |
|-------------------------------------------------------------------------------|---------|---------|
| Gains (losses) on disposals of property, plant and equipment                  | (1,847) | 936     |
| Losses of lease modification                                                  | -       | (3,347) |
| Foreign exchange gains                                                        | 673     | 87,951  |
| Losses on financial assets (liabilities) at fair value through profit or loss | -       | (286)   |
| Others                                                                        | (47)    | (1,489) |
| Net other gains(losses) \$                                                    | (1,221) | 83,765  |

# (iv) Finance costs

The details of finance costs were as follows:

|                                     | 2023         | 2022   |
|-------------------------------------|--------------|--------|
| Interest expenses-bank loans        | \$<br>32,327 | 27,897 |
| Interest expenses-convertible bonds | -            | 70     |
| Interest expenses-lease liabilities | 4,935        | 5,482  |
|                                     | \$<br>37,262 | 33,449 |

# (v) Financial instruments

#### (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

## 2) Concentration of credit risk

**Notes to Consolidated Financial Statements** 

As of December 31, 2023 and 2022, the Group's major customers consisted of five customers which accounted for 51% and 61%, respectively, of trade receivable. Thus, credit risk is significantly centralized.

#### 3) Receivables and debt securities

For credit risk exposure of trade receivables and notes receivable, please refer to note 6(b).

Other financial assets at amortized cost includes other receivables. The financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Other receivables had no impairment provision for the years ended December 31, 2023 and 2022.

# (ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

|                                      |    | Carrying amount | Contractual cash flows | Within 1<br>vear | Over 1<br>vear |
|--------------------------------------|----|-----------------|------------------------|------------------|----------------|
| December 31, 2023                    | -  | umount          | cusii iiows            | <u> </u>         | <u> </u>       |
| Non derivative financial liabilities |    |                 |                        |                  |                |
| Short-term borrowings                | \$ | 552,000         | 553,572                | 553,572          | -              |
| Trade and other payables             |    | 468,944         | 468,944                | 468,944          | -              |
| Long-term borrowings (current        |    | 953,294         | 1,020,344              | 3,532            | 1,016,812      |
| portion included)                    |    | ,               | , ,                    | ,                | , ,            |
| Lease liabilities (current and non-  |    |                 |                        |                  |                |
| current)                             |    | 135,940         | 136,152                | 36,085           | 100,067        |
| ,                                    | \$ | 2,110,178       | 2,179,012              | 1,062,133        | 1,116,879      |
| December 31, 2022                    | -  |                 |                        |                  |                |
| Non derivative financial liabilities |    |                 |                        |                  |                |
| Short-term borrowings                | \$ | 1,162,400       | 1,170,191              | 1,170,191        | -              |
| Trade and other payables             |    | 436,179         | 436,179                | 436,179          | -              |
| Long-term borrowings (current        |    | 438,113         | 451,278                | 143,277          | 308,001        |
| portion included)                    |    |                 |                        |                  |                |
| Lease liabilities (current and non-  |    |                 |                        |                  |                |
| current)                             |    | 159,324         | 159,426                | 61,385           | 98,041         |
|                                      | \$ | 2,196,016       | 2,217,074              | 1,811,032        | 406,042        |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

# (iii) Currency risk

#### 1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows: (in thousands)

|                       |             | <b>December 31, 202</b> | 3       |          | 2           |         |
|-----------------------|-------------|-------------------------|---------|----------|-------------|---------|
|                       | Foreign     | Exchange                | _       | Foreign  | Exchange    | _       |
|                       | currency    | <u>rate</u>             | NTD     | currency | <u>rate</u> | NTD     |
| Financial assets      |             |                         |         |          |             |         |
| Monetary items        |             |                         |         |          |             |         |
| EUR                   | \$<br>2,893 | 33.98                   | 98,315  | 6,987    | 32.72       | 228,619 |
| USD                   | 12,590      | 30.705                  | 386,579 | 10,725   | 30.71       | 329,352 |
| CNY                   | 9,727       | 4.327                   | 42,091  | 307      | 4.408       | 1,354   |
| Financial liabilities |             |                         |         |          |             |         |
| Monetary items        |             |                         |         |          |             |         |
| EUR                   | 39          | 33.98                   | 1,318   | 275      | 32.72       | 8,998   |
| USD                   | 86          | 30.705                  | 2,638   | 67       | 30.71       | 2,059   |

**Notes to Consolidated Financial Statements** 

#### 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables; and trade and other payables that are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the EUR, USD, and CNY as of December 31, 2023 and 2022, would have increased (decreased) the net profit after tax by \$4,184 thousand and \$4,386 thousand, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for both periods.

#### 3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$673 thousand and \$87,951 thousand, respectively.

### (iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.25%, the Group's net income would have increased / decreased by \$3,763 thousand and \$4,001 thousand for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

## (v) Fair value of financial instruments

#### 1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

**Notes to Consolidated Financial Statements** 

| December | 21  | 2022  |
|----------|-----|-------|
| Hecember | • • | /11/3 |
|          |     |       |

|                                                 | _  |                   |          | Fair V  | alue    |       |
|-------------------------------------------------|----|-------------------|----------|---------|---------|-------|
|                                                 |    | <b>Book Value</b> | Level 1  | Level 2 | Level 3 | Total |
| Financial assets measured at amortized cost     | _  |                   | ·        |         |         |       |
| Cash and cash equivalents                       | \$ | 838,416           | -        | -       | -       | -     |
| Trade receivables and notes receivable          |    | 690,793           | -        | -       | -       | -     |
| Other receivables                               |    | 16,930            | -        | -       | -       | -     |
| Refundable deposits                             | _  | 3,981             | <u> </u> |         |         |       |
| Subtotal                                        | \$ | 1,550,120         |          |         |         |       |
| Financial liabilities at amortized cost         | _  |                   |          |         |         |       |
| Short-term borrowings                           | \$ | 552,000           | -        | -       | -       | -     |
| Accounts and notes payable and other payables   |    | 468,944           | -        | -       | -       | -     |
| Long-term borrowings (current portion included) |    | 953,294           | -        | -       | -       | -     |
| Lease liabilities (current and non-current)     |    | 135,940           | -        | _       | -       | -     |
| Subtotal                                        | \$ | 2,110,178         |          |         | -       |       |
|                                                 | _  |                   |          |         |         |       |

December 31, 2022

|                                                 | _  |                   |         | Fair V  | alue    |       |
|-------------------------------------------------|----|-------------------|---------|---------|---------|-------|
|                                                 |    | <b>Book Value</b> | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at amortized cost     | -  |                   |         |         |         |       |
| Cash and cash equivalents                       | \$ | 900,149           | -       | -       | -       | -     |
| Trade receivables and notes receivable          |    | 513,968           | -       | -       | -       | -     |
| Other receivables                               |    | 22,016            | -       | _       | _       | -     |
| Refundable deposits                             |    | 2,550             | -       | -       | -       | -     |
| Subtotal                                        | \$ | 1,438,683         |         | -       |         |       |
| Financial liabilities at amortized cost         | -  |                   |         |         |         |       |
| Short-term borrowings                           | \$ | 1,162,400         | -       | _       | _       | -     |
| Accounts and notes payable and other payables   |    | 436,179           | -       | -       | -       | -     |
| Long-term borrowings (current portion included) |    | 438,113           | -       | -       | -       | -     |
| Lease liabilities (current and non-current)     |    | 159,324           | -       | -       | -       | -     |
| Subtotal                                        | \$ | 2,196,016         |         |         |         |       |

#### 2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

#### 2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

#### 2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

## 3) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2023 and 2022.

**Notes to Consolidated Financial Statements** 

#### (w) Financial risk management

#### (i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

### (ii) Structure of risk management

The Group's hedging strategy for engaging in derivatives trading is mainly based on the Group's stable and safe operations. All derivative transactions entered into by the Group are designated as either hedging or trading. Derivative transactions entered into for hedging purposes must hedge risk against fluctuations in foreign exchange rates and interest rates arising from operating activities. The currencies and the amount of derivative instruments held by the Group must match its hedged assets and liabilities denominated in foreign currencies.

The Group's finance department monitors risks to mitigate risk exposures, reports unsettled position, transaction balances and related gains or losses to the Group's management on a monthly basis.

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

## 1) Trade and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the relevant units within the Group.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

#### 2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

#### 3) Guarantees

#### **Notes to Consolidated Financial Statements**

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2023 and 2022, no other guarantees were outstanding.

## (iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line were amounted to \$507,000 thousand and \$700,000 thousand, respectively.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

#### 1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, US Dollar (USD), Pound Sterling (GBP), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, EUR, USD, GBP, and CNY.

#### 2) Interest rate risk

The Group manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates and by using interest rate swap contracts. The Group regularly evaluates hedging activities to align them with interest rate views and established risk appetite to ensure that the most cost-effective hedging strategies are employed.

# (x) Capital management

The Group's objectives for managing capital are to ensure the ability to sustain operations, deliver returns to shareholders, keep the interest of other related parties, and maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Group's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratio at the end of the reporting periods were as follows:

**Notes to Consolidated Financial Statements** 

|                                 |      | December 31,<br>2023 | December 31, 2022 |
|---------------------------------|------|----------------------|-------------------|
| Total liabilities               | \$   | 2,410,961            | 2,625,996         |
| Less: cash and cash equivalents |      | (838,416)            | (900,149)         |
| Net debt                        | _    | 1,572,545            | 1,725,847         |
| Total equity                    |      | 1,420,300            | 1,282,852         |
| Total capital                   | \$ _ | 2,992,845            | 3,008,699         |
| Debt-to-equity ratio            | =    | 53%                  | 57%               |

# (y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

Non-cash changes

- (i) For right-of-use assets under leases, please refer to note 6 (f) and (j).
- (ii) Reconciliation of liabilities arising from financing activities were as follows:

|                                                 |    | January 1,<br>2023 | Cash flows | Increase<br>(decrease) for<br>the period | Foreign<br>exchange<br>movement | Changes<br>in lease<br>payments | December 31, 2023 |
|-------------------------------------------------|----|--------------------|------------|------------------------------------------|---------------------------------|---------------------------------|-------------------|
| Short-term borrowings                           | \$ | 1,162,400          | (610,400)  |                                          |                                 |                                 | 552,000           |
| Lease liabilities (current and non-<br>current) |    | 159,324            | (34,242)   | 10,474                                   | 384                             | -                               | 135,940           |
| Long-term borrowings (current                   |    |                    |            |                                          |                                 |                                 |                   |
| portion included)                               | _  | 438,113            | 515,181    |                                          |                                 |                                 | 953,294           |
| Total liabilities from financing activities     | \$ | 1,759,837          | (129,461)  | 10,474                                   | 384                             | -                               | 1,641,234         |
|                                                 |    |                    |            | N                                        | on-cash changes                 |                                 |                   |
|                                                 |    | January 1,         | G 1 #      | Increase<br>(decrease) for               | Foreign<br>exchange             | Changes<br>in lease             | December          |
|                                                 | _  | 2022               | Cash flows | the period                               | movement                        | payments                        | 31, 2022          |
| Short-term borrowings                           | \$ | 753,400            | 409,000    | -                                        | -                               | -                               | 1,162,400         |
| Bonds payable                                   |    | 4,730              | (4,800)    | 70                                       | -                               |                                 |                   |
| Lease liabilities (current and non-<br>current) |    | 167,367            | (33,647)   | 35,113                                   | (12,856)                        | 3,347                           | 159,324           |
| Long-term borrowings (current                   |    |                    |            |                                          |                                 |                                 |                   |
| portion included)                               | _  | 963,659            | (526,207)  |                                          | 661                             |                                 | 438,113           |
| Total liabilities from financing activities     | \$ | 1,889,156          | (155,654)  | 35,183                                   | (12,195)                        | 3,347                           | 1,759,837         |

# 7. Related-party transactions

Key management personnel compensation comprised:

|                              | 2023             | 2022   |
|------------------------------|------------------|--------|
| Short-term employee benefits | \$ 13,315        | 14,873 |
| Post-employment benefits     | 394              | 657    |
|                              | <b>\$</b> 13,709 | 15,530 |

# 8. Pledged Assets

The carrying values of pledged assets were as follows:

**Notes to Consolidated Financial Statements** 

| Pledged Assets           | Subject of pledge guarantee                     | December 31, 2023 | December 31, 2022 |
|--------------------------|-------------------------------------------------|-------------------|-------------------|
| Land                     | Collateral for bank borrowings and credit lines | \$<br>123,978     | 123,978           |
| Buildings and structures | Collateral for bank borrowings and credit lines | <br>3,971         | 7,637             |
|                          |                                                 | \$<br>127,949     | 131,615           |

# 9. Significant commitments and contingencies

The Group's unrecognized contractual commitments were as follows:

|                                              | mber 31,<br>2023 | December 31, 2022 |
|----------------------------------------------|------------------|-------------------|
| Acquisition of property, plant and equipment | \$<br>-          | 3,234             |

10. Losses due to major disasters: None.

11. Subsequent events: None.

# 12. Other

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| Dr. function               |    |                 | 2023               |         | 2022            |                    |         |  |  |
|----------------------------|----|-----------------|--------------------|---------|-----------------|--------------------|---------|--|--|
| By function By item        |    | Operating costs | Operating expenses | Total   | Operating costs | Operating expenses | Total   |  |  |
| Employee benefits          |    |                 |                    |         |                 |                    |         |  |  |
| Salary                     | \$ | 353,966         | 216,206            | 570,172 | 332,398         | 203,104            | 535,502 |  |  |
| Labor and health insurance |    | 49,519          | 22,620             | 72,139  | 45,701          | 20,577             | 66,278  |  |  |
| Pension                    |    | 21,508          | 10,784             | 32,292  | 18,889          | 8,790              | 27,679  |  |  |
| Others                     |    | 2,373           | 8,854              | 11,227  | 2,763           | 4,622              | 7,385   |  |  |
| Depreciation               |    | 101,705         | 31,563             | 133,268 | 116,119         | 58,308             | 174,427 |  |  |
| Amortization               |    | 206             | 28,687             | 28,893  | 134             | 27,510             | 27,644  |  |  |

**Notes to Consolidated Financial Statements** 

#### 13. Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of<br>lender | Name of<br>borrower      | Account<br>name   | Related<br>party | Highest balance<br>of financing to<br>other parties<br>during the period | Ending<br>balance | Actual<br>usage<br>amount<br>during the<br>period | Range of<br>interest<br>rates<br>during the<br>period | Purposes of<br>fund<br>financing for<br>the borrower<br>(Note 3) | Transaction<br>amount for<br>business<br>between two<br>parties (Note 4) | Reasons<br>for short-<br>term<br>financing | Loss<br>allowance | Item | Value | Individual<br>funding<br>loan limits<br>(Note 1) | Maximum limit of fund financing (Note 2) |
|-----|-------------------|--------------------------|-------------------|------------------|--------------------------------------------------------------------------|-------------------|---------------------------------------------------|-------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------|-------------------|------|-------|--------------------------------------------------|------------------------------------------|
| 0   | The<br>Company    | Quaser<br>Europe<br>Gmbh | Other receivables | Yes              | 127,123                                                                  | 34,772            | 34,772                                            |                                                       | 1                                                                | 90,147                                                                   | -                                          | -                 | -    | -     | 142,030                                          | 568,120                                  |
| 0   | The<br>Company    | Kunshan<br>Quaser        | Other receivables | Yes              | 21,333                                                                   | 1                 | 1                                                 |                                                       | 1                                                                | 42,966                                                                   | -                                          | -                 | -    | -     | 142,030                                          | 568,120                                  |
| 0   | The<br>Company    | Quaser<br>America        | Other receivables | Yes              | 42,692                                                                   | 5,835             | 5,835                                             |                                                       | 1                                                                | 119,632                                                                  | -                                          | -                 | -    | -     | 142,030                                          | 568,120                                  |
| 0   | The<br>Company    | Winbro<br>LLC            | Other receivables | Yes              | 54,616                                                                   | 18,829            | 18,829                                            |                                                       | 1                                                                | 81,249                                                                   | -                                          | -                 | -    | -     | 142,030                                          | 568,120                                  |
| 0   | The<br>Company    | Winbro Ltd               | Other receivables | Yes              | 15,267                                                                   | 244               | 244                                               |                                                       | 1                                                                | 48,151                                                                   | -                                          | -                 | -    | -     | 142,030                                          | 568,120                                  |
| 1   | Quaser<br>Europe  | Quaser<br>Europe<br>Gmbh | Other receivables | Yes              | 44,201                                                                   | 43,644            | 43,644                                            |                                                       | 1                                                                | -                                                                        | -                                          | -                 | -    | -     | 178,140                                          | 178,140                                  |
| 2   | Winbro<br>Ltd     | Winbro<br>LLC            | Other receivables | Yes              | 68,743                                                                   | 60,723            | 60,723                                            |                                                       | 1                                                                | 86,985                                                                   | -                                          | -                 | -    | -     | 1,971,408                                        | 1,971,408                                |
| 3   | Winbro<br>LLC     | Winbro Ltd               | Other receivables | Yes              | 10,055                                                                   | 10,055            | 10,055                                            |                                                       | 1                                                                | 479                                                                      | -                                          | -                 | -    | -     | 1,349,952                                        | 1,349,952                                |
| 4   | Quaser<br>America | Winbro<br>LLC            | Other receivables | Yes              | 99,373                                                                   | 95,787            | 95,787                                            |                                                       | 1                                                                | 92,845                                                                   | -                                          | -                 | -    | -     | 394,776                                          | 394,776                                  |

Note 1: Individual financing amount must be less than 10%, 400%, 400%, 400% and 400% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LtC's and Quaser America's latest net asset value (the Company's net asset value as of December 31, 2023 was \$1,420,300 thousand × 10% = \$142,030 thousand; Quaser Europe's net asset value as of December 31, 2023 was \$44,535 thousand × 400% = \$178,140 thousand; Winbro Ltd's net asset value as of December 31, 2023 was \$492,852

#### **Notes to Consolidated Financial Statements**

- thousand  $\times$  400% = \$1,971,408 thousand; Winbro LLC's net asset value as of December 31, 2023 was \$337,488 thousand  $\times$  400% = \$1,349,952 thousand; Quaser America's net asset value as of December 31, 2023 was \$98,694 thousand  $\times$  400% = \$394,776 thousand).
- Note 2: The maximum amount must be less than 40%, 400%, 400%, 400% and 400% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LtC's and Quaser America's latest net asset value (the Company's net asset value as of December 31, 2023 was \$1,420,300 thousand × 40% = \$568,120 thousand; Quaser Europe's net asset value as of December 31, 2023 was \$44,535 thousand × 400% = \$178,140 thousand; Winbro Ltd's net asset value as of December 31, 2023 was \$492,852 thousand × 400% = \$1,971,408 thousand; Winbro LtC's net asset value as of December 31, 2023 was \$337,488 thousand × 400% = \$1,349,952 thousand; Quaser America's net asset value as of December 31, 2023 was \$98,694 thousand × 400% = \$394,776 thousand).
- Note 3: The nature of financing provided could be:
  - 1) business relationship.
  - 2) short-term financial assistance.
- Note 4: When the nature of financing provided was for business relationship, the business transaction amount should be listed. The amounts were from the business transactions of the most recent year between the lender and the borrower.
- Note 5: Significant intercompany accounts and transactions have been eliminated.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD 300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

| Name of     | Category and          | v and Account                                          | Name of                  | Relationship        | <b>Beginning Balance</b> |        | Purchases |                   | Sales  |       |      |                               | Ending Balance |         |
|-------------|-----------------------|--------------------------------------------------------|--------------------------|---------------------|--------------------------|--------|-----------|-------------------|--------|-------|------|-------------------------------|----------------|---------|
| company     | name of security      | name                                                   | counter-<br>party        | with the<br>company | Shares                   | Amount | Shares    | Amount            | Shares | Price | Cost | Gain<br>(loss) on<br>disposal | Shares         | Amount  |
| The Company | Quaser Europe<br>Gmbh | Investments<br>accounted for<br>using equity<br>method | Quaser<br>Europe<br>Gmbh | Subsidiary          | 25,000                   | 841    | ı         | 120,607<br>(Note) | ı      | 1     | 1    | 1                             | 25,000         | 121,448 |

Note: The above amount is the investment cost. For information on its book value, please refer to note 13 (b) "Information on investees".

- (v) Acquisition of individual real estate with amounts exceeding the lower of TWD 300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amounts exceeding the lower of TWD 300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD 100 million or 20% of the capital stock:

**Notes to Consolidated Financial Statements** 

(In Thousands of New Taiwan Dollars)

|                 |                  |                           |                   | Trans   | action details                      |               | terms         | ctions with<br>different<br>n others |                   | s receivable/ Trade<br>es (Notes payable/ Trade<br>payables)                                       | ·    |
|-----------------|------------------|---------------------------|-------------------|---------|-------------------------------------|---------------|---------------|--------------------------------------|-------------------|----------------------------------------------------------------------------------------------------|------|
| Name of company | Related<br>party | Nature of relationship    | Purchase/<br>Sale | Amount  | Percentage of total purchases/sales | Payment terms | Unit<br>price | Payment<br>terms                     | Ending<br>balance | Percentage of total<br>notes receivable/trade<br>receivables (Notes<br>payable/ Trade<br>payables) | Note |
| The             | Kunshan          | Parent and subsidiary     | Sales             | 147,511 | 5%                                  | T/T 180       | -             |                                      | 27,518            | 4%                                                                                                 |      |
| Company         | Quaser           | companies                 |                   |         |                                     | days          |               |                                      |                   |                                                                                                    |      |
| The             | Winbro LLC       | Parent and sub-subsidiary | Sales             | 116,909 | 4%                                  | T/T 120       | -             |                                      | 48,013            | 7%                                                                                                 |      |
| Company         |                  | companies                 |                   |         |                                     | days          |               |                                      |                   |                                                                                                    |      |
| Winbro          | Winbro LLC       | Sub-subsidiary companies  | Sales             | 112,572 | 4%                                  | T/T 90        | -             |                                      | 130,342           | 18%                                                                                                |      |
| Ltd             |                  |                           |                   |         |                                     | days          |               |                                      |                   |                                                                                                    |      |

(viii)Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

| Name of          |                   |                          | Balance of                       | Turnover       |        | Overdue                           | Amounts                             |                             |
|------------------|-------------------|--------------------------|----------------------------------|----------------|--------|-----------------------------------|-------------------------------------|-----------------------------|
| related<br>party | Counter-<br>party | Relationship             | receivable<br>from related party | rate<br>(Note) | Amount | Action taken                      | received in<br>subsequent<br>period | Allowances<br>for bad debts |
| Winbro Ltd       | Winbro LLC        | Sub-subsidiary companies | 130,342                          | 2.07           | 60,723 | Accounting for other receivables. | 30,705                              | -                           |

Note: The calculation of turnover rate does not include other receivables.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

|                     |                 |                       | Nature of                | Intercompany transactions |         |               |                                                            |  |  |
|---------------------|-----------------|-----------------------|--------------------------|---------------------------|---------|---------------|------------------------------------------------------------|--|--|
| <b>No.</b> (Note 1) | Name of company | Name of counter-party | relationship<br>(Note 2) | Account name              | Amount  | Trading terms | Percentage of the consolidated net revenue or total assets |  |  |
| 0                   | The Company     | Kunshan Quaser        | 1                        | Sales                     | 147,511 | T/T 180 days  | 5%                                                         |  |  |
| 0                   | The Company     | Kunshan Quaser        | 1                        | Trade receivable          | 27,518  | T/T 180 days  | 1%                                                         |  |  |
| 0                   | The Company     | Quaser Europe Gmbh    | 1                        | Sales                     | 86,319  | T/T 180 days  | 3%                                                         |  |  |
| 0                   | The Company     | Quaser Europe Gmbh    | 1                        | Trade receivable          | 19,535  | T/T 180 days  | 1%                                                         |  |  |
| 0                   | The Company     | Quaser Europe Gmbh    | 1                        | Other receivables         | 22,505  | T/T 180 days  | 1%                                                         |  |  |
| 0                   | The Company     | Winbro Ltd            | 2                        | Sales                     | 56,823  | T/T 120 days  | 2%                                                         |  |  |

#### **Notes to Consolidated Financial Statements**

|                     |                    |                       | Noture of                       | Intercompany transactions |         |               |                                                            |  |  |
|---------------------|--------------------|-----------------------|---------------------------------|---------------------------|---------|---------------|------------------------------------------------------------|--|--|
| <b>No.</b> (Note 1) | Name of company    | Name of counter-party | Nature of relationship (Note 2) | Account name              | Amount  | Trading terms | Percentage of the consolidated net revenue or total assets |  |  |
| 0                   | The Company        | Winbro Ltd            | 2                               | Purchases                 | 25,298  | T/T 30 days   | 1%                                                         |  |  |
| 0                   | The Company        | Winbro Ltd            | 2                               | Trade receivable          | 17,105  | T/T 120 days  | -%                                                         |  |  |
| 0                   | The Company        | Winbro Ltd            | 2                               | Accounts payable          | 52,309  | T/T 30 days   | 1%                                                         |  |  |
| 0                   | The Company        | Winbro Ltd            | 2                               | Other receivables         | 19,070  | T/T 120 days  | -%                                                         |  |  |
| 0                   | The Company        | Winbro LLC            | 2                               | Sales                     | 116,909 | T/T 120 days  | 4%                                                         |  |  |
| 0                   | The Company        | Winbro LLC            | 2                               | Trade receivable          | 48,013  | T/T 120 days  | 1%                                                         |  |  |
| 0                   | The Company        | Winbro LLC            | 2                               | Other receivables         | 18,747  | T/T 120 days  | -%                                                         |  |  |
| 1                   | Quaser America     | Winbro LLC            | 4                               | Trade receivable          | 93,454  | T/T 120 days  | 2%                                                         |  |  |
| 2                   | Quaser Europe Gmbh | Quaser Europe         | 3                               | Accounts payable          | 43,344  | T/T 180 days  | 1%                                                         |  |  |
| 3                   | Winbro Ltd         | Winbro LLC            | 5                               | Sales                     | 112,572 | T/T 90 days   | 4%                                                         |  |  |
| 3                   | Winbro Ltd         | Winbro LLC            | 5                               | Trade receivable          | 69,619  | T/T 90 days   | 2%                                                         |  |  |
| 3                   | Winbro Ltd         | Winbro LLC            | 5                               | Other receivables         | 60,723  | T/T 90 days   | 2%                                                         |  |  |
| 4                   | Winbro LLC         | Winbro Ltd            | 5                               | Trade receivable          | 12,165  | T/T 90 days   | -%                                                         |  |  |

Note 1: Companies are numbered as follows:

- 1) "0" represents the parent company.
- 2) Subsidiaries are sorted in a numerical order starting from "1".

Note 2: The relationships between transaction parties are numbered as follows:

- 1) "1" represents the transactions from parent company to subsidiary.
- 2) "2" represents the transactions from parent company to sub-subsidiary.
- 3) "3" represents the transactions between subsidiaries.
- 4) "4" represents the transactions from subsidiary to sub-subsidiary.
- 5) "5" represents the transactions between sub-subsidiaries.

#### **Notes to Consolidated Financial Statements**

#### (b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars/Foreign Currencies in Thousands) (Unit: Shares)

|                  |                       | Location          | Main businesses and products                          | Original investment amount |                          | Amount he | ld at the end                 | of the period     | d Highest                                           |                                         | Investment                               |                        |
|------------------|-----------------------|-------------------|-------------------------------------------------------|----------------------------|--------------------------|-----------|-------------------------------|-------------------|-----------------------------------------------------|-----------------------------------------|------------------------------------------|------------------------|
| Name of investor | Name of investee      |                   |                                                       | End of the period          | End of the previous year | Shares    | Percentage<br>of<br>ownership | Carrying<br>value | percentage<br>of<br>ownership<br>during the<br>year | Net income<br>(loss) of the<br>investee | recognized by<br>the Company<br>(Note 1) | Note                   |
| The Company      | Quaser Europe         | Switzerland       | Buys and sells machines                               | 3,076                      | 3,076                    | 1,000     | 100%                          | 44,535            | 100%                                                | (49)                                    | (49)                                     | Subsidiary             |
| The Company      | Quaser America        | America           | Buys and sells machines                               | 189,455                    | 189,455                  | 6,000,000 | 100%                          | 98,694            | 100%                                                | (4,787)                                 | (4,787)                                  | Subsidiary<br>(Note 3) |
| The Company      | Winbro UK             | United<br>Kingdom | Overseas reinvested holding company                   | 1,845,204                  | 1,845,204                | 1,425,000 | 100%                          | 1,351,461         | 100%                                                | 93,741                                  | 47,409                                   | Subsidiary             |
| The Company      | Quaser Europe<br>Gmbh | Germany           | Buys and sells machines                               | 121,448                    | 841                      | 25,000    | 100%                          | 87,540            | 100%                                                | (3,484)                                 | (3,484)                                  | Subsidiary             |
| Winbro UK        | Winbro Ltd            | United<br>Kingdom | Aerospace machinery<br>manufacturing and<br>machining | GBP 90                     | GBP 90                   | 9,029,804 | 100%                          | GBP 12,589        | 100%                                                | GBP (1,046)                             | (Note 2)                                 | Sub-subsidiary         |
| Winbro UK        | Winbro LLC            | America           | Aerospace machinery<br>manufacturing and<br>machining | USD 33,576                 | USD 33,576               | -         | 100%                          | USD 10,991        | 100%                                                | USD 4,274                               | (Note 2)                                 | Sub-subsidiary         |

- Note 1: Significant intercompany accounts and transactions have been eliminated.
- Note 2: According to regulations, it does not need to fill out.
- Note 3: The liquidation of the Group's subsidiary, Quaser America, was resolved by the Board of Directors. As of December 31, 2023, the relevant procedures are still in process.
- (c) Information on investment in mainland China:
  - (i) The names of investees in mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars/In Thousands of Chinese Yuan/In Thousands of United States Dollars)

|                  | ļ                            |                                       |                      |                                                                     | Investment flows |        | A coumulated outflow of                                               | Not income  | D               | Highest                                       | Investment       | Book value                    | Accumulated                                       |
|------------------|------------------------------|---------------------------------------|----------------------|---------------------------------------------------------------------|------------------|--------|-----------------------------------------------------------------------|-------------|-----------------|-----------------------------------------------|------------------|-------------------------------|---------------------------------------------------|
| Name of investee | Main businesses and products | Total amount<br>of paid-in<br>capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2023 | Outflow          | Inflow | Accumulated outflow of investment from Taiwan as of December 31, 2023 | (losses) of | of<br>ownership | percentage of<br>ownership<br>during the year | income<br>(loss) | as of<br>December 31,<br>2023 | remittance of<br>earnings in<br>current<br>period |
| Kunshan          | Buys and sells               | 49,238                                | The investment       | 38,500                                                              | -                | -      | 38,500                                                                | 14,870      | 100%            | 100%                                          | 14,870           | 12,718                        | -                                                 |
| Quaser           | machines                     | (USD 1,500)                           | was made direct      | (USD 1,280)                                                         |                  |        | (USD 1,280)                                                           |             |                 |                                               |                  |                               |                                                   |
| (Note)           |                              |                                       | investments in       |                                                                     |                  |        |                                                                       |             |                 |                                               |                  |                               |                                                   |
|                  |                              |                                       | companies in         |                                                                     |                  |        |                                                                       |             |                 |                                               |                  |                               |                                                   |
|                  |                              |                                       | mainland China       |                                                                     |                  |        |                                                                       |             |                 |                                               |                  |                               |                                                   |

**Notes to Consolidated Financial Statements** 

|                  |                              |                                       |                      |                                                                     | Investment flows |        |                                                                       | Not income  |      | Highest       | Investment | Book value                    | Accumulated                                       |
|------------------|------------------------------|---------------------------------------|----------------------|---------------------------------------------------------------------|------------------|--------|-----------------------------------------------------------------------|-------------|------|---------------|------------|-------------------------------|---------------------------------------------------|
| Name of investee | Main businesses and products | Total amount<br>of paid-in<br>capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2023 | Outflow          | Inflow | Accumulated outflow of investment from Taiwan as of December 31, 2023 | (leases) of | o. f | percentage of | income     | as of<br>December 31,<br>2023 | remittance of<br>earnings in<br>current<br>period |
| Zhongshan        | Manufacturing                | 86,220                                | The investment       | -                                                                   | 34,889           | -      | 34,889                                                                | (187)       | 40%  | 40%           | (75)       | 34,542                        | -                                                 |
| Xuguang          | and selling                  | (CNY 20,000)                          | was made direct      |                                                                     | (CNY8,000)       |        | (CNY8,000)                                                            |             |      |               |            |                               |                                                   |
|                  | machines                     |                                       | investments in       |                                                                     |                  |        |                                                                       |             |      |               |            |                               |                                                   |
|                  |                              |                                       | companies in         |                                                                     |                  |        |                                                                       |             |      |               |            |                               |                                                   |
|                  |                              |                                       | mainland China       |                                                                     |                  |        |                                                                       |             |      |               |            |                               |                                                   |

Note: Significant intercompany accounts and transactions have been eliminated.

#### (ii) Limitation on investment in mainland China:

(In Thousands of New Taiwan Dollars/In Thousands of Chinese Yuan/In Thousands of United States Dollars)

| Accumulated Investment in mainland China as of December 31, 2023 | Investment Amount Authorized by Investment Commission, MOEA | Upper limit on investment |
|------------------------------------------------------------------|-------------------------------------------------------------|---------------------------|
| NTD\$73,389                                                      | NTD\$73,389                                                 | 852,180                   |
| (USD\$ 1,280)                                                    | (USD\$ 1,280)                                               |                           |
| (CNY\$ 8,000)                                                    | (CNY\$ 8,000)                                               |                           |

### (iii) Significant transactions

The significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

#### (d) Major shareholders

Unit: Shares

| Shareholder's Name              | Shareholding | Shares     | Percentage |
|---------------------------------|--------------|------------|------------|
| Yeh Chiang Technology Co., Ltd. |              | 12,433,500 | 22.62 %    |
| Shieh, Raui-Mu                  |              | 5,511,310  | 10.02 %    |
| Xude Investment Co., Ltd.       |              | 5,107,118  | 9.29 %     |

**Notes to Consolidated Financial Statements** 

#### 14. Segment information

#### (a) General information

The Group has two reportable segments that involved in manufacturing and selling computer numerical control machines and aerospace processing machines respectively.

The reportable segments are the Group's strategic divisions that provide different products and services. Since each reportable segment requires different technologies and marketing strategies, it must be managed separately.

#### (b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The Group's operating segment information and reconciliation were as follows:

| Total revenue                     | \$<br>Computer numerical control machines 1,140,874 | Aerospace processing machines 1,629,876 | Total 2,770,750 |
|-----------------------------------|-----------------------------------------------------|-----------------------------------------|-----------------|
| Reportable segment profit or loss | \$<br>52,516                                        | 156,572                                 | 209,088         |
|                                   |                                                     | 2022                                    |                 |
|                                   | Computer                                            | Aerospace                               |                 |
|                                   | numerical                                           | processing                              |                 |
|                                   | control machines                                    | machines                                | Total           |
| Total revenue                     | \$<br>1,664,177                                     | 919,780                                 | 2,583,957       |
| Reportable segment profit or loss | \$<br>46,077                                        | 18,304                                  | 64,381          |

Segment revenue reported above represents revenue generated from external customers. The intersegment sales had been eliminated for the years ended December 31, 2023 and 2022.

#### (c) Product and service information

Revenue from the external customers of the Group were as follows:

| Product and services                | <br>2023        | 2022      |
|-------------------------------------|-----------------|-----------|
| Computer numerical control machines | \$<br>1,135,101 | 1,659,162 |
| Aerospace processing machines       | 1,121,631       | 611,789   |
| Revenue from rendering of services  | 514,018         | 313,006   |
| Total                               | \$<br>2,770,750 | 2,583,957 |

#### (d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

**Notes to Consolidated Financial Statements** 

| Geographical information         |           | 2023      | 2022      |
|----------------------------------|-----------|-----------|-----------|
| Revenue from external customers: |           | _         | _         |
| Asia                             | \$        | 618,013   | 425,860   |
| Europe                           |           | 1,282,767 | 1,502,359 |
| America                          |           | 868,313   | 655,150   |
| Others                           |           | 1,657     | 588       |
| Total                            | <b>\$</b> | 2,770,750 | 2,583,957 |

| Geographical information | December 31,<br>2023 | December 31, 2022 |
|--------------------------|----------------------|-------------------|
| Non-current assets:      |                      |                   |
| Asia                     | \$<br>182,438        | 159,756           |
| Europe                   | 385,485              | 451,362           |
| America                  | 150,721              | 202,804           |
| Total                    | \$<br>718,644        | 813,922           |

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, deferred tax assets, goodwill, and pension fund assets.

#### (e) Major customers

Information on major customers that exceed 10% of operating revenue in the consolidated income statements of the Group for the years ended December 31, 2023 and 2022, were as follows:

|           | 2023          | 2022    |
|-----------|---------------|---------|
| T Company | \$<br>136,006 | 423,598 |
| S Company | \$<br>425,590 | 400,984 |
| R Company | \$<br>303,345 | 270,245 |
| G Company | \$<br>327,900 | 144,287 |

1

Stock Code: 4563

### QUASER MACHINE TOOLS, INC.

**Parent Company Only Financial Statements** 

With Independent Auditors' Report For the Years Ended December 31, 2023 and 2022

Address: No.3, Gong 6th Rd., Youshih Industrial Park, Dajia District, Taichung City, Taiwan (R.O.C.) Telephone: (04)2682-1277

The independent auditors' report and the accompanying parent company only 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' report and parent company only financial statements, the Chinese version shall prevail.

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## **Independent Auditors' Report**

To the Board of Directors of Quaser Machine Tools, Inc.:

#### **Opinion**

We have audited the financial statements of Quaser Machine Tools, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Assessment of investments accounted for using equity method impairment

Please refer to Note 4(m) for accounting policies, Note 5 for accounting assumptions, judgements and estimation uncertainty, and Note 6(d) for the assessment of investments accounted for using equity method impairment.

Description of key audit matter:

The carrying amount of investments accounted for using equity method-subsidiary-Winbro Group UK Limited occupying 41% of the Company's total assets. The carrying amount includes goodwill and the amount is significant. Impairment assessment requires an estimate of the recoverable amount based on the investee company's forecast of future operations and discounted future cash flows projection. We list the assessment as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Company; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures,

appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; and assessing the adequacy of the Company's disclosures of its policy on impairment of investments accounted for using equity method and other related disclosures.

#### 2. Revenue recognition

Refer to Note 4(o) for accounting policies and Note 6(s) for explanation of revenue.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. In addition, the Company operates in an industry in which revenue is considered to be complex in determining the timing of revenue recognition. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Company's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customers' orders and assessing whether the accounting treatment of the related contracts including sales terms is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

# Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

#### Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- 1. Identified and assessed the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are

- appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 5. Evaluated the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Yuan Wu and Tzu-Hsin Chang.

#### **KPMG**

Taipei, Taiwan (Republic of China) March 12, 2024

#### **Notes to Readers**

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

## QUASER MACHINE TOOLS, INC.

## **Balance Sheets**

## December 31, 2023 and 2022

## (Expressed in thousands of New Taiwan Dollar)

|                                                           | December 31, | 2023 | December 31, | 2022 |                                                                                     | _         | December 31, | 2023 | December 31, | 2022 |
|-----------------------------------------------------------|--------------|------|--------------|------|-------------------------------------------------------------------------------------|-----------|--------------|------|--------------|------|
| Assets                                                    | Amount       | 0/0  | Amount       | %    | Liabilities and Equity                                                              | _         | Amount       | 0/0  | Amount       | %    |
| Current assets:                                           |              |      |              |      | Current liabilities:                                                                |           |              |      |              |      |
| Cash and cash equivalents (Note 6(a))                     | \$ 369,855   | 11   | 422,530      | 13   | Short-term borrowings (Note 6(i) and 8)                                             | \$        | 552,000      | 17   | 1,162,400    | 35   |
| Notes receivable, net (Note 6(b))                         | 30,571       | 1    | 20,624       | 1    | Current contract liabilities (Note 6(s))                                            |           | 106,558      | 3    | 106,808      | 4    |
| Trade receivable, net (Note 6(b))                         | 258,366      | 8    | 211,528      | 6    | Notes payable                                                                       |           | 171          | -    | 162          | -    |
| Trade receivable due from related parties (note 7)        | 112,170      | 3    | 202,281      | 6    | Accounts payable                                                                    |           | 132,671      | 4    | 134,457      | 4    |
| Other receivables                                         | 2,803        | -    | 5,777        | -    | Accounts payable due from related parties (note 7)                                  |           | 52,805       | 2    | 88,348       | 3    |
| Other receivables due from related parties (note 7)       | 66,481       | 2    | 74,649       | 2    | Other payables (Note 6(k))                                                          |           | 43,913       | 1    | 39,573       | 1    |
| Current tax assets                                        | 80           | -    | 80           | -    | Other payables due from related parties (note 7)                                    |           | 5,562        | -    | 3,027        | -    |
| Inventories (Note 6(c))                                   | 543,230      | 16   | 642,302      | 19   | Current tax liabilities                                                             |           | 24,270       | 1    | -            | -    |
| Other current assets (Note 6(h))                          | 20,678       | 1    | 45,245       | 2    | Current provisions (Note 6(n))                                                      |           | 8,143        | -    | 8,838        | -    |
|                                                           | 1,404,234    | 42   | 1,625,016    | 49   | Current lease liabilities (Note 6(j))                                               |           | 3,740        | -    | 2,141        | -    |
|                                                           |              |      |              |      | Long-term borrowing, current portion (Note 6(1) and 8)                              |           | 2,806        | -    | 135,224      | 4    |
|                                                           |              |      |              |      | Other current liabilities                                                           | _         | 831          |      | 964          |      |
| Non-current assets:                                       |              |      |              |      |                                                                                     | _         | 933,470      | 28   | 1,681,942    | 51   |
| Investments accounted for using equity method (Note 6(d)) | 1,629,490    | 49   | 1,411,531    | 43   | Non-Current liabilities:                                                            |           |              |      |              |      |
| Property, plant and equipment (Note 6(e) and 8)           | 167,122      | 5    | 147,349      | 4    | Long-term borrowings (Note 6(l) and 8)                                              |           | 950,488      | 29   | 302,889      | 9    |
| Right-of-use assets (Note 6(f))                           | 8,275        | -    | 5,126        | -    | Non-current provisions (Note 6(n))                                                  |           | 4,668        | -    | 4,106        | -    |
| Intangible assets (Note 6(g))                             | 5,581        | -    | 6,397        | -    | Deferred tax liabilities (Note 6(p))                                                |           | 4,727        | -    | 10,346       | -    |
| Deferred tax assets (Note 6(p))                           | 79,192       | 3    | 93,222       | 3    | Non-current lease liabilities (Note 6(j))                                           |           | 4,322        | -    | 2,807        | -    |
| Refundable deposits                                       | 2,620        | -    | 2,550        | -    | Credit balance for investments accounted for using the equity method (Note $6(d)$ ) | _         |              |      | 24,906       | 1    |
| Net defined benefit assets (Note 6(o))                    | 21,461       | 1    | 18,657       | 1    |                                                                                     | _         | 964,205      | 29   | 345,054      | 10   |
|                                                           | 1,913,741    | 58   | 1,684,832    | 51   | Total liabilities                                                                   | _         | 1,897,675    | 57   | 2,026,996    | 61   |
|                                                           |              |      |              |      | Equity: (Note 6(q))                                                                 |           |              |      |              |      |
|                                                           |              |      |              |      | Common stock                                                                        |           | 549,500      | 17   | 549,500      | 17   |
|                                                           |              |      |              |      | Capital surplus                                                                     |           | 820,363      | 25   | 880,109      | 26   |
|                                                           |              |      |              |      | Unappropriated retained earnings (Accumulated deficit)                              |           | 35,351       | 1    | (136,598)    | (4)  |
|                                                           |              |      |              |      | Other Equity                                                                        |           | 15,086       | -    | (10,159)     | -    |
|                                                           |              |      |              |      | Total equity                                                                        | _         | 1,420,300    | 43   | 1,282,852    | 39   |
| Total assets                                              | \$ 3,317,975 | 100  | 3,309,848    | 100  | Total liabilities and equity                                                        | <b>\$</b> | 3,317,975    | 100  | 3,309,848    | 100  |
| A CHILA MUDUM                                             | Ψ 0,011,010  | 100  | 0,000,010    | 100  | - com months and equity                                                             | Ψ_        | 3,011,710    | 100  | 0,000,010    | 100  |

## QUASER MACHINE TOOLS, INC.

## **Statements of Comprehensive Income**

# For the Years ended December 31, 2023 and 2022 (Expressed in thousands of New Taiwan Dollar)

| (== <b>-</b> F                                                                                                          |    | 2023           |     | 2022      |     |  |
|-------------------------------------------------------------------------------------------------------------------------|----|----------------|-----|-----------|-----|--|
|                                                                                                                         | _  | Amount         | %   | Amount    | %   |  |
| <b>Operating revenue</b> (Note 6(s) and 7)                                                                              | \$ | 1,310,822      | 100 | 1,622,274 | 100 |  |
| Operating costs (Note 6(c), (o), 7 and 12)                                                                              | _  | 1,040,764      | 79  | 1,324,518 | 82  |  |
| Gross profit                                                                                                            | _  | 270,058        | 21  | 297,756   | 18  |  |
| Realized (Unrealized) Profit or loss from sales                                                                         | _  | 1,929          |     | (29,964)  | (2) |  |
| Gross profit, net                                                                                                       | _  | 271,987        | 21  | 267,792   | 16  |  |
| Operating expenses (Note 6(o), (t) and 12):                                                                             |    |                |     |           |     |  |
| Selling expenses                                                                                                        |    | 66,608         | 5   | 101,130   | 6   |  |
| Administrative expenses                                                                                                 |    | 91,256         | 7   | 87,554    | 6   |  |
| Research and development expenses                                                                                       |    | 25,190         | 2   | 23,194    | 1   |  |
| Expected credit loss (Note 6(b))                                                                                        |    | 957            | -   | 781       | -   |  |
| •                                                                                                                       | -  | 184,011        | 14  | 212,659   | 13  |  |
| Operating income                                                                                                        | _  | 87,976         | 7   | 55,133    | 3   |  |
| Non-operating income and expenses (Note 6(u)):                                                                          | -  | <del>, ,</del> |     |           |     |  |
| Interest income                                                                                                         |    | 5,009          | _   | 1,157     | _   |  |
| Other income                                                                                                            |    | 6,972          | 1   | 14,015    | 1   |  |
| Other gains and losses                                                                                                  |    | 16,137         | 1   | 82,875    | 5   |  |
| Finance costs (Note 6 (j) and (m))                                                                                      |    | (32,416)       | (3) | (28,008)  | (1) |  |
| Share of profit of associates accounted for using equity method                                                         |    | 53,884         | 4   | 13,682    | 1   |  |
|                                                                                                                         | _  | 49,586         | 3   | 83,721    | 6   |  |
| Profit before income tax                                                                                                |    | 137,562        | 10  | 138,854   | 9   |  |
| <b>Less: Income tax expenses</b> (Note 6 (p))                                                                           | _  | 26,569         | 2   | 29,973    | 2   |  |
| Profit for the period                                                                                                   | _  | 110,993        | 8   | 108,881   | 7   |  |
| Other comprehensive income:                                                                                             |    |                |     |           |     |  |
| Components of other comprehensive income that will not be reclassified to profit or loss:                               |    |                |     |           |     |  |
| Gains (losses) on remeasurements of defined benefit plans (Note 6 (o))                                                  |    | 1,513          | -   | 6,805     | -   |  |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6  |    |                |     |           |     |  |
| (p))                                                                                                                    | -  | (303)          |     | (1,361)   |     |  |
| Components of other comprehensive income that will be reclassified to profit or loss:                                   | _  | 1,210          |     | 5,444     |     |  |
| Exchange differences on translation of foreign financial                                                                |    |                |     |           |     |  |
| statements                                                                                                              |    | 31,556         | 2   | 84,510    | 5   |  |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6 (p)) |    | (6,311)        | _   | (16,902)  | (1) |  |
| 1                                                                                                                       | -  | 25,245         | 2   | 67,608    | 4   |  |
| Other comprehensive income for the period, net of tax                                                                   | _  | 26,455         | 2   | 73,052    | 4   |  |
| Total comprehensive income                                                                                              | \$ | 137,448        | 10  | 181,933   | 11  |  |
| Earnings per share (NT Dollars) (Note 6(r))                                                                             | -  |                |     | <u></u>   |     |  |
| Basic earnings per share                                                                                                | \$ | 2.02           |     | 1.98      |     |  |
| Diluted earnings per share                                                                                              | \$ | 2.02           |     | 1.98      |     |  |

See accompanying notes to parent company only financial statements.

## QUASER MACHINE TOOLS, INC.

**Statements of Changes in Equity** 

For the Years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar)

|                                                     |     |            |                 | Retained earnings |                 |                   |           | Other equity         |           |
|-----------------------------------------------------|-----|------------|-----------------|-------------------|-----------------|-------------------|-----------|----------------------|-----------|
|                                                     |     |            |                 |                   |                 | Unappropriated    |           | Exchange differences |           |
|                                                     |     |            |                 |                   |                 | retained earnings |           | on translation of    |           |
|                                                     |     |            |                 |                   |                 | (accumulated      |           | foreign financial    | Total     |
|                                                     | Con | nmon stock | Capital surplus | Legal reserve     | Special reserve | deficit)          | Total     | statements           | equity    |
| Balance at January 1, 2022                          | \$  | 549,500    | 880,109         | 204,502           | 2,724           | (458,149)         | (250,923) | (77,767)             | 1,100,919 |
| Profit for the period                               |     | -          | -               | -                 | -               | 108,881           | 108,881   | -                    | 108,881   |
| Other comprehensive income for the period           |     | -          |                 |                   |                 | 5,444             | 5,444     | 67,608               | 73,052    |
| Total comprehensive income for the period           |     | -          | -               | -                 | -               | 114,325           | 114,325   | 67,608               | 181,933   |
| Appropriation of earnings:                          |     |            |                 |                   |                 |                   |           |                      |           |
| Legal reserve used to offset accumulated deficits   |     | -          | -               | (204,502)         | -               | 204,502           | -         | -                    | -         |
| Balance at December 31, 2022                        | \$  | 549,500    | 880,109         |                   | 2,724           | (139,322)         | (136,598) | (10,159)             | 1,282,852 |
| Balance at January 1, 2023                          | \$  | 549,500    | 880,109         | -                 | 2,724           | (139,322)         | (136,598) | (10,159)             | 1,282,852 |
| Profit for the period                               |     | -          | -               | -                 | -               | 110,993           | 110,993   | <del>-</del>         | 110,993   |
| Other comprehensive income for the period           |     |            |                 | <u> </u>          | <u> </u>        | 1,210             | 1,210     | 25,245               | 26,455    |
| Total comprehensive income for the period           |     | -          | -               | -                 | -               | 112,203           | 112,203   | 25,245               | 137,448   |
| Appropriation of earnings:                          |     | _          |                 |                   |                 |                   | _         |                      |           |
| Capital surplus used to offset accumulated deficits |     | -          | (59,746)        | -                 | -               | 59,746            | 59,746    | -                    | -         |
| Balance at December 31, 2023                        | \$  | 549,500    | 820,363         |                   | 2,724           | 32,627            | 35,351    | 15,086               | 1,420,300 |

## QUASER MACHINE TOOLS, INC.

## **Statements of Cash Flows**

# For the Years ended December 31, 2023 and 2022 (Expressed in thousands of New Taiwan Dollar)

|                                                                                  | <br>2023      | 2022      |
|----------------------------------------------------------------------------------|---------------|-----------|
| ash flows from (used in) operating activities:                                   |               |           |
| Profit before tax                                                                | \$<br>137,562 | 138,854   |
| Adjustments:                                                                     |               |           |
| Adjustments to reconcile profit                                                  |               |           |
| Depreciation expense                                                             | 14,644        | 14,807    |
| Amortization expense                                                             | 2,346         | 2,025     |
| Expected credit loss                                                             | 957           | 781       |
| Net loss on financial assets or liabilities at fair value through profit or loss | -             | 286       |
| Interest expense                                                                 | 32,416        | 28,008    |
| Interest income                                                                  | (5,009)       | (1,157)   |
| Share of profit of associates accounted for using equity method                  | (53,884)      | (13,682)  |
| Gain on disposal of property, plant and equipment                                | (34)          | (189)     |
| Unrealized profit or loss from sales                                             | (1,929)       | 29,964    |
| Unrealized foreign exchange loss (gain)                                          | 31,473        | (48,246)  |
| Total adjustments to reconcile profit                                            | 20,980        | 12,597    |
| Changes in operating assets and liabilities:                                     |               |           |
| Changes in operating assets:                                                     |               |           |
| Decrease (increase) in notes receivable                                          | (9,947)       | 28,648    |
| Decrease (increase) in trade receivable (including from related parties)         | 19,951        | (166,219) |
| Decrease in other receivable (including from related parties)                    | 8,916         | 7,739     |
| Decrease in inventories                                                          | 91,389        | 7,427     |
| Decrease (increase) in other current assets                                      | 24,349        | (8,701)   |
| Increase in net defined benefit assets                                           | (1,291)       | (1,063    |
| Total changes in operating assets                                                | 133,367       | (132,169  |
| Changes in operating liabilities:                                                |               |           |
| Increase (decrease) in contract liabilities                                      | (250)         | 50,014    |
| Increase (decrease) in notes payable                                             | 9             | (4,628)   |
| Decrease in accounts payable (including from related parties)                    | (36,655)      | (18,436)  |
| Increase in other payable (including from related parties)                       | 4,799         | 3,556     |
| Increase (decrease) in provisions                                                | (133)         | 1,570     |
| Decrease in other current liabilities                                            | <br>(133)     | (8,719)   |
| Total changes in operating liabilities                                           | <br>(32,363)  | 23,357    |
| Total changes in operating assets and liabilities                                | <br>101,004   | (108,812) |
| Total adjustments                                                                | 121,984       | (96,215)  |

(Continued)

## QUASER MACHINE TOOLS, INC.

## **Statements of Cash Flows**

# For the Years ended December 31, 2023 and 2022 (Expressed in thousands of New Taiwan Dollar)

|                                                              | 2023        | 2022      |
|--------------------------------------------------------------|-------------|-----------|
| Cash inflow generated from operations                        | 259,546     | 42,639    |
| Interest received                                            | 5,009       | 1,157     |
| Interest paid                                                | (30,514)    | (27,681)  |
| Income taxes refund (paid)                                   | (502)       | 2,739     |
| Net cash flows from (used in) operating activities           | 233,539     | 18,854    |
| Cash flows from (used in) investing activities:              |             |           |
| Acquisition of investments accounted for using equity method | (155,496)   | -         |
| Acquisition of property, plant and equipment                 | (23,721)    | (2,899)   |
| Proceeds from disposal of property, plant and equipment      | 34          | 189       |
| Decrease (increase) in refundable deposits                   | (70)        | 784       |
| Acquisition of intangible assets                             | (1,530)     | (995)     |
| Net cash flows from (used in) investing activities           | (180,783)   | (2,921)   |
| Cash flows from (used in) financing activities:              |             |           |
| Increase in short-term loans                                 | 416,461     | 818,000   |
| Decrease in short-term loans                                 | (1,026,861) | (409,000) |
| Repayments of bonds                                          | -           | (4,800)   |
| Proceeds from long-term borrowings                           | 929,294     | -         |
| Repayments of long-term borrowings                           | (414,113)   | (517,106) |
| Payments of lease liabilities                                | (2,830)     | (3,069)   |
| Net cash flows from (used in) financing activities           | (98,049)    | (115,975) |
| Effect of exchange rate changes on cash and cash equivalents | (7,382)     | 26,463    |
| Net decrease in cash and cash equivalents                    | (52,675)    | (73,579)  |
| Cash and cash equivalents at beginning of period             | 422,530     | 496,109   |
| Cash and cash equivalents at end of period                   | 369,855     | 422,530   |

#### QUASER MACHINE TOOLS, INC.

## Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

#### 1. Company history

Quaser Machine Tools, Inc. (the "Company") was incorporated in May 23, 1991 as a company limited by shares under the Company Act of the Republic of China (R.O.C). The registered address is No.3, Gong 6th Rd., Youshih Industrial Park, Dajia District, Taichung City, Taiwan (R.O.C.). The Company mainly engage in manufacturing and sales of computer numerical control (CNC) machine centers, metal-working machines, and related machines.

The Company's common shares were listed on the Taipei Exchange (TPEx) Mainboard since July 12, 2018.

#### 2. Approval date and procedures of the financial statements

The accompanying parent company only financial statements were authorized for issue by the Board of Directors on March 12, 2024.

#### 3. New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform Pillar Two Model Rules"
- (b) The impact of IFRSs issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"
- (c) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

#### **Notes to the Parent Company Only Financial Statements**

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 21 "Lack of Exchangeability

#### 4. Summary of material accounting policies

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

#### (a) Statement of compliance

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations").

#### (b) Basis of preparation

#### 1) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

- (i) Financial instruments at fair value through profit or loss are measured at fair value;
- (ii) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

#### 2) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The Company's financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

#### (c) Foreign currencies

#### 1) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

#### 2) Foreign operations

#### **Notes to the Parent Company Only Financial Statements**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency, New Taiwan Dollars, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency, New Taiwan Dollars, at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company's disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

#### (d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- 1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is expected to be realized within twelve months after the reporting period; or
- 4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current. An entity shall classify a liability as current when:

- 1) It is expected to be settled in the normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is due to be settled within twelve months after the reporting period; or
- 4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

#### (e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

#### (f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to

#### **Notes to the Parent Company Only Financial Statements**

its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### (i) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### (ii) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### (iii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and notes receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default
  occurring over the expected life of the financial instrument) has not increased significantly
  since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

#### **Notes to the Parent Company Only Financial Statements**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider:
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### (iv) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial

#### **Notes to the Parent Company Only Financial Statements**

asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### 2) Financial liabilities and equity instruments

#### i) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ii) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

#### iii) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

#### iv) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

#### v) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

#### **Notes to the Parent Company Only Financial Statements**

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### vi) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### 3) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

#### (i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

#### **Notes to the Parent Company Only Financial Statements**

The changes in ownership of the subsidiaries are recognized as equity transaction.

#### (j) Property, plant and equipment

#### 1) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

#### 2) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

#### 3) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| 1) | Buildings and structures     | 3-17 years                                            |
|----|------------------------------|-------------------------------------------------------|
| 2) | Machinery and equipment      | 1-17 years                                            |
| 3) | Transportation equipment     | 1 years                                               |
| 4) | Molding equipment            | 2-6 years                                             |
| 5) | Other equipment              | 1-14 years                                            |
| 6) | The main components and use: | ful lives of buildings and structures are as follows: |
|    | Component                    | Useful lives                                          |
|    | Main buildings               | 17 years                                              |
|    | Others                       | 3-16 years                                            |
|    |                              |                                                       |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### 1) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the

#### **Notes to the Parent Company Only Financial Statements**

commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (i) fixed payments, including in-substance fixed payments;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable under a residual value guarantee; and
- (iv) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- i) there is a change in future lease payments arising from the change in an index or rate; or
- ii) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- iii) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- iv) there is a change of its assessment on whether it will exercise a extension or termination option; or
- v) there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of the offices and other sporadic leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 2) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

#### **Notes to the Parent Company Only Financial Statements**

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

#### (1) Intangible assets

#### 1) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including software and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

#### 2) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

#### 3) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

| (1) | Software                | 1-10 years |
|-----|-------------------------|------------|
| (2) | Trademarks              | 10 years   |
| (3) | Technology licenses     | 2-20 years |
| (4) | Other intangible assets | 2-6 years  |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

#### **Notes to the Parent Company Only Financial Statements**

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### (o) Revenue

#### 1) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

#### i) Sale of goods

The Company manufactures and sells machines and parts. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

#### ii) Revenue from the rendering of services

Revenue from the rendering of services comes from the machine repairing services and technical services.

#### iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

#### (p) Employee benefits

#### 1) Defined contribution plans

#### **Notes to the Parent Company Only Financial Statements**

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

#### 2) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### 3) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

#### 4) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the

#### **Notes to the Parent Company Only Financial Statements**

#### following:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not
  a business combination and at the time of the transaction (i) affects neither accounting nor taxable
  profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- 2) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- 3) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- 1) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- 2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - i) the same taxable entity; or
  - ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### (r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

#### (s) Operating segments

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

#### 5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these parent company only financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects

#### **Notes to the Parent Company Only Financial Statements**

on the amounts recognized in the parent company only financial statements is as follows:

Impairment of investments accounted for using equity method

The assessment of impairment of investments accounted for using equity method requires the Company to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(d) for further description of the impairment of investment accounted for using equity method.

The Company's accounting policies include measuring financial and non financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

#### 6. Explanation of significant accounts

(a) Cash and cash equivalents

|                                                          | <br>December 31,<br>2023 | December 31,<br>2022 |
|----------------------------------------------------------|--------------------------|----------------------|
| Petty cash and cash on hand                              | \$<br>924                | 1,082                |
| Checking and demand deposits                             | 296,467                  | 329,318              |
| Time deposits                                            | <br>72,464               | 92,130               |
| Cash and cash equivalents in the statement of cash flows | \$<br>369,855            | 422,530              |

Please refer to note 6(v) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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December 21

(b) Notes receivable and trade receivable

|                                              | 2023          | 2022    |
|----------------------------------------------|---------------|---------|
| Notes receivable from operating activities   | \$<br>30,571  | 20,624  |
| Trade receivables-measured as amortized cost | 260,114       | 212,319 |
| Less: Loss allowance                         | (1,748)       | (791)   |
|                                              | \$<br>288,937 | 232,152 |

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

## **QUASER MACHINE TOOLS, INC.**Notes to the Parent Company Only Financial Statements

|                             | December 31, 2023 |                 |                 |    |                          |  |
|-----------------------------|-------------------|-----------------|-----------------|----|--------------------------|--|
|                             | Gross             | carrying amount | Weighted-averag | ge | Loss allowance provision |  |
| Current                     | \$                | 262,352         | -               | %  | -                        |  |
| 1 to 30 days past due       |                   | 13,371          | -               | %  | -                        |  |
| 31 to 60 days past due      |                   | 8,721           | 5.00            | %  | 436                      |  |
| 61 to 90 days past due      |                   | 187             | 10.16           | %  | 19                       |  |
| 91 to 180 days past due     |                   | 5,914           | 20.00           | %  | 1,183                    |  |
| 181 to 360 days past due    |                   | 59              | 49.15           | %  | 29                       |  |
| More than 361 days past due |                   | 81              | 100.00          | %  | 81                       |  |
|                             | \$                | 290,685         |                 | _  | 1,748                    |  |

|                             | December 31, 2022 |                       |                              |    |                          |  |
|-----------------------------|-------------------|-----------------------|------------------------------|----|--------------------------|--|
|                             | _                 | Gross carrying amount | Weighted-averag<br>loss rate | ge | Loss allowance provision |  |
| Current                     | \$                | 227,228               | -                            | %  | -                        |  |
| 1 to 30 days past due       |                   | 1,509                 | -                            | %  | =                        |  |
| 31 to 60 days past due      |                   | 771                   | 1.31                         | %  | 21                       |  |
| 61 to 90 days past due      |                   | 85                    | 12.10                        | %  | 10                       |  |
| 91 to 180 days past due     |                   | 3,113                 | 20.50                        | %  | 638                      |  |
| 181 to 360 days past due    |                   | 230                   | 50.00                        | %  | 115                      |  |
| More than 361 days past due |                   | 7                     | 100.00                       | %  | 7                        |  |
|                             | \$                | 232,943               |                              |    | 791                      |  |

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

|                              | <br>2023     | 2022 |
|------------------------------|--------------|------|
| Balance at January 1         | \$<br>791    | 16   |
| Impairment losses recognized | 957          | 781  |
| Amounts written off          | <br><u>-</u> | (6)  |
| Balance at December 31       | \$<br>1,748  | 791  |

The Company's notes receivable and trade receivable were not pledged as collateral as of December 31, 2023 and 2022. For further credit risk information, please refers to note 6(v).

#### (c) Inventories

|                  | <br>December 31,<br>2023 | December 31,<br>2022 |
|------------------|--------------------------|----------------------|
| Raw materials    | \$<br>248,532            | 317,084              |
| Work in progress | 210,578                  | 238,435              |
| Finished goods   | 69,181                   | 86,783               |
| Goods            | 14,939                   | -                    |
|                  | \$<br>543,230            | 642,302              |

For the years ended December 31, 2023 and 2022, the amounts recognized as cost of sales in relation to inventories were \$1,038,910 thousand and \$1,325,175 thousand, respectively. For the years ended December 31, 2023 and 2022, the loss for inventory obsolescence (reversal gain) from the decrease (increase) in inventories' net realizable value amounted to \$1,854 thousand and \$(657) thousand, respectively. As of December 31, 2023 and 2022, none of the Company's inventories were pledged as collateral.

#### (d) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date was as follows:

## QUASER MACHINE TOOLS, INC. Notes to the Parent Company Only Financial Statements

|              | <br>December 31,<br>2023 | December 31,<br>2022 |
|--------------|--------------------------|----------------------|
| Subsidiaries | \$<br>1,594,948          | 1,386,625            |
| Associates   | 34,542                   | -                    |
|              | <br>1,629,490            | 1,386,625            |

#### (i) Subsidiaries

Please refer to the consolidated financial statements for the year 2023.

The Company conducted an impairment test on the goodwill contained in the subsidiary, Winbro UK, a part of the investment accounted for using equity method. Based on the impairment assessment for the years ended December 31, 2023 and 2022, no impairment losses were recognized. Please refer to note 6(g) of the consolidated financial statements for the year 2023.

#### (ii) Associates

The Company invested in Zhongshan Xuguang Machinery Technology Co., Ltd. in June 2023 with an investment amount of CNY\$8,000 thousand and obtained 40% shareholding of Zhongshan Xuguang Machinery Technology Co., Ltd. The Company has significant influence on Zhongshan Xuguang Machinery Technology Co., Ltd.

The Company's financial information for investments accounted for using the equity method that are individually insignificant were as follows. These financial information were included in the parent company only financial statements.

|                                                                  |    | ecember 31, 2023 |
|------------------------------------------------------------------|----|------------------|
| Carrying amount of individually insignificant associates' equity | \$ | 34,542           |
|                                                                  |    | 2023             |
| Attributable to the Company:                                     |    |                  |
| Loss from continuing operations                                  | \$ | (75)             |
| Other comprehensive (loss) income                                |    | (272)            |
| Comprehensive (loss) income                                      | \$ | (347)            |

(iii) The Company's investment accounted for using equity method was not pledged as collateral as of December 31, 2023.

#### (e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022, were as follows:

|                                                | Land          | Buildings and structures | Machinery and equipment | Transportation equipment | Molding equipment | Other equipment | Total    |
|------------------------------------------------|---------------|--------------------------|-------------------------|--------------------------|-------------------|-----------------|----------|
| Cost:                                          |               |                          |                         |                          |                   |                 |          |
| Balance at January 1, 2023                     | \$<br>123,978 | 194,056                  | 46,584                  | 485                      | 49,119            | 138,381         | 552,603  |
| Additions                                      | -             | 5,526                    | 10,101                  | -                        | 3,301             | 4,793           | 23,721   |
| Disposals                                      | -             | -                        | (1,307)                 | -                        | -                 | (1,045)         | (2,352)  |
| Reclassification                               | -             | 218                      | 7,683                   |                          |                   |                 | 7,901    |
| Balance at December 31, 2023                   | \$<br>123,978 | 199,800                  | 63,061                  | 485                      | 52,420            | 142,129         | 581,873  |
| Balance at January 1, 2022                     | \$<br>123,978 | 194,056                  | 59,336                  | 485                      | 48,614            | 137,802         | 564,271  |
| Additions                                      | · -           | ´ -                      | 1,074                   | -                        | 505               | 1,320           | 2,899    |
| Disposals                                      | -             | -                        | (16,276)                | (232)                    | -                 | (741)           | (17,249) |
| Reclassification                               | -             | -                        | 2,450                   | 232                      | -                 | ` -             | 2,682    |
| Balance at December 31, 2022                   | \$<br>123,978 | 194,056                  | 46,584                  | 485                      | 49,119            | 138,381         | 552,603  |
| Accumulated depreciation and impairments loss: |               |                          |                         |                          |                   |                 |          |
| Balance at January 1, 2023                     | \$<br>-       | 185,119                  | 42,116                  | 485                      | 46,262            | 131,272         | 405,254  |
| Depreciation                                   | -             | 4,061                    | 2,578                   | -                        | 1,644             | 3,566           | 11,849   |
| Disposals                                      | -             | -                        | (1,307)                 | -                        | -                 | (1,045)         | (2,352)  |
| Balance at December 31, 2023                   | \$<br>-       | 189,180                  | 43,387                  | 485                      | 47,906            | 133,793         | 414,751  |
| Balance at January 1, 2022                     | \$<br>-       | 180,755                  | 57,251                  | 485                      | 44,137            | 127,966         | 410,594  |
| Depreciation                                   | -             | 4,364                    | 1,141                   | -                        | 2,125             | 4,047           | 11,677   |
| Disposals                                      | -             | -                        | (16,276)                | (232)                    |                   | (741)           | (17,249) |
| Reclassification                               |               |                          | <u>-</u>                | 232                      |                   |                 | 232      |
| Balance at December 31, 2022                   | \$<br>-       | 185,119                  | 42,116                  | 485                      | 46,262            | 131,272         | 405,254  |

## QUASER MACHINE TOOLS, INC. Notes to the Parent Company Only Financial Statements

|                              | Land          | Buildings and structures | Machinery and equipment | Transportation equipment | Molding equipment | Other equipment | Total   |
|------------------------------|---------------|--------------------------|-------------------------|--------------------------|-------------------|-----------------|---------|
| Carrying amount:             |               |                          |                         |                          |                   |                 |         |
| Balance at December 31, 2023 | \$<br>123,978 | 10,620                   | 19,674                  |                          | 4,514             | 8,336           | 167,122 |
| Balance at January 1, 2022   | \$<br>123,978 | 13,301                   | 2,085                   | -                        | 4,477             | 9,836           | 153,677 |
| Balance at December 31, 2022 | \$<br>123,978 | 8,937                    | 4,468                   |                          | 2,857             | 7,109           | 147,349 |

As of December 31, 2023 and 2022, the property and plant of the Company had been pledged as collateral for bank borrowings are set out in note 8.

#### (f) Right-of-use assets

The Company leases transportation equipment. Information about leases was presented below:

|                              | Transp | ortation equipment |
|------------------------------|--------|--------------------|
| Cost:                        |        |                    |
| Balance at January 1, 2023   | \$     | 7,951              |
| Additions                    |        | 5,944              |
| Write-off                    |        | (1,267)            |
| Balance at December 31, 2023 | \$     | 12,628             |
| Balance at January 1, 2022   | \$     | 9,128              |
| Additions                    |        | 4,856              |
| Write-off                    |        | (5,801)            |
| Reclassification             |        | (232)              |
| Balance at December 31, 2022 | \$     | 7,951              |
| Accumulated depreciation:    |        |                    |
| Balance at January 1, 2023   | \$     | 2,825              |
| Depreciation                 |        | 2,795              |
| Write-off                    |        | (1,267)            |
| Balance at December 31, 2023 | \$     | 4,353              |
| Balance at January 1, 2022   | \$     | 5,728              |
| Depreciation                 |        | 3,130              |
| Write-off                    |        | (5,801)            |
| Reclassification             |        | (232)              |
| Balance at December 31, 2022 | \$     | 2,825              |
| Carrying amount:             |        |                    |
| Balance at December 31, 2023 | \$     | 8,275              |
| Balance at January 1, 2022   | \$     | 3,400              |
| Balance at December 31, 2022 | \$     | 5,126              |

#### (g) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2023 and 2022, were as follows:

|                              |    | Software | Technology licenses | Trademarks | Others | Total   |
|------------------------------|----|----------|---------------------|------------|--------|---------|
| Cost:                        | _  |          |                     |            |        |         |
| Balance at January 1, 2023   | \$ | 6,804    | 2,430               | 127        | 1,332  | 10,693  |
| Additions                    |    | 808      | 586                 | 136        | -      | 1,530   |
| Disposals                    |    | (649)    | (70)                | (32)       | (200)  | (951)   |
| Balance at December 31, 2023 | \$ | 6,963    | 2,946               | 231        | 1,132  | 11,272  |
| Balance at January 1, 2022   | \$ | 7,807    | 2,000               | 83         | 2,076  | 11,966  |
| Additions                    |    | 440      | 430                 | 95         | 30     | 995     |
| Disposals                    |    | (1,443)  | -                   | (51)       | (774)  | (2,268) |
| Balance at December 31, 2022 | \$ | 6,804    | 2,430               | 127        | 1,332  | 10,693  |

## **QUASER MACHINE TOOLS, INC.**Notes to the Parent Company Only Financial Statements

|                                                 |    | Software | Technology licenses | Trademarks | Others | Total   |
|-------------------------------------------------|----|----------|---------------------|------------|--------|---------|
| Accumulated amortization and impairment losses: | _  |          |                     |            |        |         |
| Balance at January 1, 2023                      | \$ | 2,738    | 750                 | 34         | 774    | 4,296   |
| Amortization                                    |    | 1,357    | 571                 | 50         | 368    | 2,346   |
| Disposals                                       |    | (649)    | (70)                | (32)       | (200)  | (951)   |
| Balance at December 31, 2023                    | \$ | 3,446    | 1,251               | 52         | 942    | 5,691   |
| Balance at January 1, 2022                      | \$ | 2,925    | 650                 | 72         | 892    | 4,539   |
| Amortization                                    |    | 1,256    | 100                 | 13         | 656    | 2,025   |
| Disposals                                       |    | (1,443)  | -                   | (51)       | (774)  | (2,268) |
| Balance at December 31, 2022                    | \$ | 2,738    | 750                 | 34         | 774    | 4,296   |
| Carrying amount:                                |    |          |                     |            |        |         |
| Balance at December 31, 2023                    | \$ | 3,517    | 1,695               | 179        | 190    | 5,581   |
| Balance at January 1, 2022                      | \$ | 4,882    | 1,350               | 11         | 1,184  | 7,427   |
| Balance at December 31, 2022                    | \$ | 4,066    | 1,680               | 93         | 558    | 6,397   |

(i) The amortization of intangible assets was included in the statement of comprehensive income:

|                   | 2023        | 2022  |
|-------------------|-------------|-------|
| Operating cost    | \$<br>206   | 135   |
| Operating expense | 2,140       | 1,890 |
|                   | \$<br>2,346 | 2,025 |

#### (ii) Collateral

None of the intangible assets held by the Company were pledged collateral as of December 31, 2023 and 2022.

#### (h) Other current assets

The other current assets of the Company were as follows:

|                       |    | December 31, 2023 | December 31, 2022 |
|-----------------------|----|-------------------|-------------------|
| Other current assets: | _  | _                 |                   |
| Prepayments           | \$ | 20,333            | 45,213            |
| Others                |    | 345               | 32                |
|                       | \$ | 20,678            | 45,245            |

#### (i) Short-term borrowings

The short-term borrowings of the Company were summarized as follows:

|                                |              | December 31,<br>2022 |              |
|--------------------------------|--------------|----------------------|--------------|
| Unsecured bank loans           | \$           | 552,000              | 819,000      |
| Secured bank loans             |              | -                    | 343,400      |
|                                | \$           | 552,000              | 1,162,400    |
| Unused short-term credit lines | \$           | 507,000              | 700,000      |
| Range of interest rates        | 1.82%~2.125% |                      | 1.57%~2.325% |

The Company sets out the assets as pledged collateral for short-term borrowings in note 8.

### (j) Lease liabilities

The lease liabilities of the Company were summarized as follows:

## QUASER MACHINE TOOLS, INC. Notes to the Parent Company Only Financial Statements

|             | December 31,<br>2023 |       |
|-------------|----------------------|-------|
| Current     | \$<br>3,740          | 2,141 |
| Non-current | \$<br>4,322          | 2,807 |

For the maturity analysis, please refer to note 6(v) Financial instruments.

The amounts recognized in profit or loss were as follows:

|                                        | 2023        | 2022  |
|----------------------------------------|-------------|-------|
| Interest on lease liabilities          | \$<br>89    | 42    |
| Expenses relating to short-term leases | \$<br>1,459 | 1,299 |

The amounts recognized in the statement of cash flows by the Company were as follows:

|                               | 2023        | 2022  |
|-------------------------------|-------------|-------|
| Total cash outflow for leases | \$<br>4,378 | 4,410 |

The Company leases transportation equipment with lease terms of 2 to 3 years.

#### (k) Other payables

The other payables of the Company were summarized as follows:

|                                            | De | ecember 31,<br>2023 | December 31, 2022 |
|--------------------------------------------|----|---------------------|-------------------|
| Salary and bonus payable                   | \$ | 28,298              | 28,868            |
| Pensions payable                           |    | 1,925               | 1,914             |
| Employee and director compensation payable |    | 4,763               | -                 |
| Others                                     |    | 8,927               | 8,791             |
|                                            | \$ | 43,913              | 39,573            |

#### (l) Long-term borrowings

The long-term borrowings of the Company were summarized as follows:

|                               | <b>December 31, 2023</b> |               |           |    |         |
|-------------------------------|--------------------------|---------------|-----------|----|---------|
|                               |                          |               | Maturity  |    |         |
|                               | Currency                 | Rate          | year      |    | Amount  |
| Unsecured bank loans          | NTD                      | 1.896%~2.095% | 2025~2028 | \$ | 435,000 |
| Secured bank loans            | NTD                      | 2.204%        | 2028      | _  | 518,294 |
|                               |                          |               |           |    | 953,294 |
| Less: current portion         |                          |               |           | _  | (2,806) |
| Total                         |                          |               |           | \$ | 950,488 |
| Unused long-term credit lines |                          |               |           | \$ | 871,706 |

|                               | <b>December 31, 2022</b> |        |          |    |           |
|-------------------------------|--------------------------|--------|----------|----|-----------|
|                               |                          |        | Maturity |    |           |
|                               | Currency                 | Rate   | year     | _  | Amount    |
| Unsecured bank loans          | NTD                      | 2.275% | 2026     | \$ | 73,252    |
| Secured bank loans            | NTD                      | 2.757% | 2024     |    | 364,861   |
|                               |                          |        |          |    | 438,113   |
| Less: current portion         |                          |        |          |    | (135,224) |
| Total                         |                          |        |          | \$ | 302,889   |
| Unused long-term credit lines |                          |        |          | \$ | 150,000   |

#### **Notes to the Parent Company Only Financial Statements**

#### (i) Syndicated loan

The Company entered into US\$38,100 thousand and NT\$526,000 thousand syndicated loan agreement with Taishin International Bank in October 2019 with annual interest rate of 2.084%. The agreement period is 5 years, which can be extended for 2 years upon application for once only. The funds were used to acquire 100% ownership of Winbro UK.

Under the syndicated loan agreement revised in 2021, the ratios and limitations shall be maintained as follows and calculated based on independent auditors' annual and semi-annual consolidated financial statements. For the collateral for long-term borrowings, please refer to note 8

- 1) Current ratio (current assets / current liabilities) not less than 100%.
- 2) Leverage ratio (net financial liabilities / sum of profit before income tax, depreciation expenses, amortizations and interest expenses) each year shall not be higher than the following:

| Financial year | 2022 | 2023 | 2024 | 2025 | 2026 |
|----------------|------|------|------|------|------|
| Leverage ratio | 350% | 275% | 200% | 150% | 150% |

3) Interest coverage ratio (sum of profit before income tax, depreciation expenses, amortizations, and interest expenses / interest expenses) - each year shall not be lower than the following:

| Financial year          | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------|------|------|------|------|------|
| Interest coverage ratio | 350% | 500% | 500% | 500% | 500% |

4) Equity - each year shall not be lower than the following:

(In Thousands of New Taiwan Dollars)

| Financial year | 2022      | 2023      | 2024      | 2025      | 2026      |
|----------------|-----------|-----------|-----------|-----------|-----------|
| Equity         | 1,200,000 | 1,200,000 | 1,300,000 | 1,350,000 | 1,400,000 |

The Company has re-signed the syndicated loan agreement with Taishin International Bank in July 2023. The loan amount was NT\$1,290,000 thousand with a 5-year credit period. The funds obtained from the syndicated loan agreement were used to repay outstanding loans and enrich medium-term working capital.

Under the syndicated loan agreement re-signed in 2023, the ratios and limitations shall be maintained as follows and calculated based on independent auditors' annual and semi-annual consolidated financial statements from 2023. For the collateral for long-term borrowings, please refer to note 8.

- 1) Current ratio (current assets / current liabilities) not less than 100%.
- 2) Gearing ratio (total liabilities deduct cash / total equity) not higher than 200%.
- 3) Interest coverage ratio (sum of profit before income tax, depreciation expenses, amortizations, and interest expenses / interest expenses) not less than 300%.
- 4) Equity not less than \$1,000,000 thousand.

As of December 31, 2023 and 2022, the Company was in compliance with the above borrowing covenants.

(ii) Collateral for long-term borrowings

The Company set out the assets as pledged collateral for long-term borrowings in note 8.

#### (m) Bonds payable

The details of unsecured convertible bonds were as follows:

December 21

## QUASER MACHINE TOOLS, INC. Notes to the Parent Company Only Financial Statements

|                                                                                            |            | 2022      |
|--------------------------------------------------------------------------------------------|------------|-----------|
| Total convertible corporate bonds issued                                                   | \$         | 200,000   |
| Cumulative redeemed amount                                                                 |            | (200,000) |
| Corporate bonds issued balance at year-end                                                 | \$         | -         |
| Equity component – conversion options, included in capital surplus – stock options         | \$         | -         |
| Equity component – conversion options, included in capital surplus – expired stock options | \$ <u></u> | 6,642     |
| •                                                                                          |            | 2022      |
| Interest expense                                                                           | \$         | 70        |

The Company issued 2,000 unsecured convertible bonds with three years on October 9, 2019. The coupon rate of the bond was 0%. The Company paid interest quarterly at an effective interest rate of 0.1582%.

The conversion price was set at \$52.50 per share at the time of issuance. In the event of an adjustment to the conversion price of the Company's ordinary shares that complies with the terms of issuance, the conversion price shall be adjusted according to the formula specified in the terms of issuance. There were no reset terms for this bond.

At any time within three months after the issuance date till 40 days before maturity date (from January 10, 2020 to August 30, 2022), the Company could call back the outstanding bonds by cash at par value within five business days after the benchmark date of bond retirement if the closing price of the Company's common shares exceeded the conversion price for 30 successive business days for up to 30% (inclusive), or the outstanding balance of the bonds was less than 10% of total initial issuance value.

Bondholders were entitled to exercise the put options after 2 years from the issuance date, and the put date would be on October 9, 2021. The interest compensation was 101.0025% of face value of convertible bond (the real yield was 0.5%). Upon receipt of a sell request, the Company should pay the amount to the bondholders by cash within five business days of the put date.

The Company repurchased the convertible bonds with 48 units on October 11, 2022 and the payment amounted to \$4,800 thousand.

#### (n) Provisions

|                                     | Warranties  | Employee<br>benefits |
|-------------------------------------|-------------|----------------------|
| Balance at January 1, 2023          | \$<br>8,838 | 4,106                |
| Provisions made during the year     | 10,394      | 562                  |
| Provisions used during the year     | (11,089)    | -                    |
| Balance at December 31, 2023        | \$<br>8,143 | 4,668                |
| Balance at January 1, 2022          | \$<br>6,198 | 5,176                |
| Provisions made during the year     | 14,695      | -                    |
| Provisions used during the year     | (12,055)    | -                    |
| Provisions reversed during the year | -           | (1,070)              |
| Balance at December 31, 2022        | \$<br>8,838 | 4,106                |

(i) 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's obligations for warranties under local sale of goods legislation. The provision is based on estimates made

#### **Notes to the Parent Company Only Financial Statements**

from estimates made from historical warranty trends and may vary because of new materials, altered manufacturing processes or other events affecting product quality.

(ii) The provision for employee benefits represents vested long-term service compensation made by employees.

# (o) Employee benefits

#### (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

|                                                  | _  | December 31,<br>2023 | December 31, 2022 |
|--------------------------------------------------|----|----------------------|-------------------|
| Present value of the defined benefit obligations | \$ | 20,792               | 22,985            |
| Fair value of plan assets                        |    | (42,253)             | (41,642)          |
| Net defined benefit assets                       | \$ | (21,461)             | (18,657)          |

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

#### 1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$41,780 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

#### 2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

| 2022    |
|---------|
| 26,711  |
| 134     |
|         |
|         |
| -       |
|         |
| (703)   |
|         |
| (3,157) |
| -       |
| 22,985  |
|         |

# 3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

|                                                              | 2023         | 2022   |
|--------------------------------------------------------------|--------------|--------|
| Fair value of plan assets at January 1                       | \$<br>41,642 | 37,500 |
| Interest income                                              | 633          | 190    |
| Remeasurements loss (gain):                                  |              |        |
| <ul> <li>Return on plan assets excluding interest</li> </ul> |              |        |
| income                                                       | 253          | 2,945  |
| Contributions paid by the employer                           | 1,003        | 1,007  |
| Benefits paid                                                | (1,278)      | -      |
| Fair value of plan assets at December 31                     | \$<br>42,253 | 41,642 |

# 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

|                                                              |                   | 2023  | 2022 |
|--------------------------------------------------------------|-------------------|-------|------|
| Net interest of net liabilities for defined bene obligations | efit<br><b>\$</b> | (288) | (56) |
| Operating cost                                               | \$                | (148) | (33) |
| Selling expenses                                             |                   | (88)  | (11) |
| Administration expenses                                      |                   | (52)  | (12) |
|                                                              | \$                | (288) | (56) |

# 5) Remeasurement in net defined benefit assets recognized in other comprehensive income

The remeasurement in net defined benefit assets recognized in other comprehensive income for the Company were as follows:

|                                   | <br>2023       | 2022     |
|-----------------------------------|----------------|----------|
| Accumulated amount at January 1   | \$<br>(14,195) | (21,000) |
| Recognized during the period      | <br>1,513      | 6,805    |
| Accumulated amount at December 31 | \$<br>(12,682) | (14,195) |

# 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

|                             | December 31,<br>2023 | December 31,<br>2022 |
|-----------------------------|----------------------|----------------------|
| Discount rate               | 1.30%                | 1.50%                |
| Future salary increase rate | 2.50%                | 2.75%                |

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2023 is \$1,005 thousand.

The weighted-average lifetime of the defined benefits plans for the year ended December 31, 2023 is 12.2 years.

#### 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|                               | Impact on the defined | ed benefit obligations |  |  |
|-------------------------------|-----------------------|------------------------|--|--|
|                               | Increased 0.25%       | Decreased 0.25%        |  |  |
| December 31, 2023:            |                       |                        |  |  |
| Discount rate                 | \$<br>(615)           | 639                    |  |  |
| Future salary increasing rate | 578                   | (560)                  |  |  |
| December 31, 2022:            |                       |                        |  |  |
| Discount rate                 | (712)                 | 741                    |  |  |
| Future salary increasing rate | 719                   | (694)                  |  |  |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

# (ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$6,734 thousand and \$6,718 thousand for the years ended December 31, 2023 and 2022, respectively.

#### (p) Income taxes

(i) The components of income tax were as follows:

|                                                   | <br>2023     | 2022   |
|---------------------------------------------------|--------------|--------|
| Current tax expense                               |              |        |
| Current period                                    | \$<br>24,085 | -      |
| Adjustment for prior periods                      | 687          | -      |
|                                                   | 24,772       | -      |
| Deferred tax expense                              | <br>         | _      |
| Origination and reversal of temporary differences | 1,797        | 29,973 |
| Income tax expense                                | \$<br>26,569 | 29,973 |

(ii) The amounts of income tax recognized in other comprehensive income were as follows:

|                                                                                                                  |            | 2023    | 2022     |  |
|------------------------------------------------------------------------------------------------------------------|------------|---------|----------|--|
| Items that will not be reclassified subsequently profit or loss:                                                 | to         |         |          |  |
| Remeasurement from defined benefit plans                                                                         | \$ <u></u> | (303)   | (1,361)  |  |
| Items that may be reclassified subsequently to pro<br>or loss:<br>Exchange differences on translation of foreign | fit        |         |          |  |
| financial statements                                                                                             | \$         | (6,311) | (16,902) |  |

(iii) Reconciliation of income tax and profit before tax for 2023 and 2022, were as follows:

|                                                     | <br>2023      | 2022    |
|-----------------------------------------------------|---------------|---------|
| Profit before income tax                            | \$<br>137,562 | 138,854 |
| Income tax using the Company's domestic tax         | \$<br>27,513  | 27,771  |
| Non-deductible expenses                             | -             | 14      |
| Tax-exempt income                                   | (4)           | -       |
| Adjustments of current income tax for prior periods | 687           | -       |
| Effect of deferred income tax assets                | -             | 561     |
| Change in unrecognized temporary differences        | <br>(1,627)   | 1,627   |
| Income tax expense                                  | \$<br>26,569  | 29,973  |

# (iv) Deferred tax assets and liabilities

# 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

|                                                                                   | <br>December 31,<br>2023 | December 31,<br>2022 |
|-----------------------------------------------------------------------------------|--------------------------|----------------------|
| Aggregated amount of temporary differences related to investments in subsidiaries | \$<br>207,969            | 207,969              |
| Tax effect of deductible temporary differences                                    | -                        | 8,135                |
|                                                                                   | \$<br>207,969            | 216,104              |
| Unrecognized deferred tax assets                                                  | \$<br>41,594             | 43,221               |

# 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax assets:

|                                                                             |    | Defined<br>Benefit<br>Plans | Inventory<br>write-<br>down | Unrealized<br>gross profit | Loss<br>carryforwards | Loss on foreign investment accounted for using the equity method | Exchange<br>differences<br>on<br>translating<br>foreign<br>operations | Others  | Total                    |
|-----------------------------------------------------------------------------|----|-----------------------------|-----------------------------|----------------------------|-----------------------|------------------------------------------------------------------|-----------------------------------------------------------------------|---------|--------------------------|
| Balance at January 1, 2023                                                  | \$ | 5,120                       | 7,131                       | 10,313                     | 6,267                 | 59,686                                                           | 2,539                                                                 | 2,166   | 93,222                   |
| Recognized in profit or loss                                                |    | 113                         | 371                         | (386)                      | (6,267)               | (10,777)                                                         | -                                                                     | 5,758   | (11,188)                 |
| Recognized in other<br>comprehensive income<br>Balance at December 31, 2023 | \$ | (303)<br><b>4,930</b>       | 7,502                       | 9,927                      | <u> </u>              | 48,909                                                           | (2,539)                                                               | 7,924   | (2,842)<br><b>79,192</b> |
| Balance at January 1, 2022                                                  | \$ | 6,695                       | 7,263                       | 4.320                      | 22,462                | 62,422                                                           | 19.441                                                                | 9.050   | 131,653                  |
| Recognized in profit or loss<br>Recognized in other                         | Ψ  | (214)                       | (132)                       | 5,993                      | (16,195)              | (2,736)                                                          | -                                                                     | (6,884) | (20,168)                 |
| comprehensive income                                                        |    | (1,361)                     | -                           | -                          | -                     | -                                                                | (16,902)                                                              | -       | (18,263)                 |
| Balance at December 31, 2022                                                | \$ | 5,120                       | 7,131                       | 10,313                     | 6,267                 | 59,686                                                           | 2,539                                                                 | 2,166   | 93,222                   |

# Deferred tax liabilities:

|                                          | differences on<br>translation of<br>foreign financial<br>statements | Unrealized<br>exchange<br>gains | Others | Total   |
|------------------------------------------|---------------------------------------------------------------------|---------------------------------|--------|---------|
| Balance at January 1, 2023               | \$<br>-                                                             | 9,649                           | 697    | 10,346  |
| Recognized in profit or loss             | -                                                                   | (9,649)                         | 258    | (9,391) |
| Recognized in other comprehensive income | 3,772                                                               |                                 |        | 3,772   |
| Balance at December 31, 2023             | \$<br>3,772                                                         |                                 | 955    | 4,727   |
| Balance at January 1, 2022               | \$<br>-                                                             | -                               | 541    | 541     |
| Recognized in profit or loss             | <u>-</u> _                                                          | 9,649                           | 156    | 9,805   |
| Balance at December 31, 2022             | \$<br>-                                                             | 9,649                           | 697    | 10,346  |

Exchange

### **Notes to the Parent Company Only Financial Statements**

#### (v) Assessment of tax

The Company's income tax returns for the year 2021 has been examined and approved by the tax authorities. However, the Company's income tax returns of 2020 year is still on assessment.

#### (q) Capital and other equity

#### (i) Common Stock

As of December 31, 2023 and 2022, the Company's government registered total authorized capital both amounted to \$800,000 thousand divided into 80,000 thousand shares of stock with \$10 per share. The outstanding shares of common stock were both \$549,500 thousand with \$10 per share.

# (ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

|                                                      | December 31, 2023 | December 31, 2022 |
|------------------------------------------------------|-------------------|-------------------|
| May be used to offset a deficit, distributed as cash |                   |                   |
| dividends, or transferred to share capital           |                   |                   |
| Premium from issuance of common stock (with          | \$<br>791,886     | 791,886           |
| cash inflow)                                         |                   |                   |
| Treasury share transactions                          | 3,139             | 3,139             |
| May be used to offset a deficit only                 |                   |                   |
| Premium from issuance of common stock                | 18,696            | 57,271            |
| (without cash inflow)                                |                   |                   |
| Treasury share transactions                          | -                 | 21,171            |
| Expired stock options                                | 6,642             | 6,642             |
|                                                      | \$<br>820,363     | 880,109           |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

### (iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The distribution of dividends by the Company can be in the form of cash or issuing new shares according to the Company's annual surplus in the current year and the overall industry's environment. However, cash dividends shall not be lower than 60% of the total dividends distributed, which may be adjusted in the shareholders' meeting based on the actual profit in the current year or the state of operations.

#### **Notes to the Parent Company Only Financial Statements**

### 1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

#### 2) Special reserve

As the Company opted for the exemptions allowed under IFRS1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs as endorsed by the FSC, it is stipulated to set aside the same amount of special surplus reserve of \$2,724 thousand were reclassified to retained earnings. A special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately.

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

#### 3) Earnings distribution

There was no earnings distribution for 2022 and 2021 based on the resolution made during the shareholders' meeting on June 15, 2023 and June 16, 2022.

On March 12, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. These earnings were appropriated as follows:

2022

|                                                | <br>2025                            |              |  |
|------------------------------------------------|-------------------------------------|--------------|--|
|                                                | Amount per<br>share<br>(NT dollars) | Total amount |  |
| Dividends distributed to ordinary shareholders |                                     |              |  |
| Cash                                           | \$<br>0.534                         | 29,343       |  |

(iv) Other comprehensive income accumulated in reserves, net of tax

**Exchange differences on** 

# **QUASER MACHINE TOOLS, INC.**Notes to the Parent Company Only Financial Statements

|                                            | ranslation of foreign<br>financial statements |
|--------------------------------------------|-----------------------------------------------|
| Balance at January 1, 2023                 | \$<br>(10,159)                                |
| Exchange differences on foreign operations | 31,556                                        |
| Income tax                                 | <br>(6,311)                                   |
| Balance at December 31, 2023               | \$<br>15,086                                  |
| Balance at January 1, 2022                 | \$<br>(77,767)                                |
| Exchange differences on foreign operations | 84,510                                        |
| Income tax                                 | <br>(16,902)                                  |
| Balance at December 31, 2022               | \$<br>(10,159)                                |

# (r) Earnings per share

The calculations of the Company's basic earnings per share and diluted earnings per share were as follows:

# (i) Basic earnings per share

| (-)  | Zuoto Cumingo per omito                                                                        |            | 2023     | 2022    |
|------|------------------------------------------------------------------------------------------------|------------|----------|---------|
|      | Net profit attributable to ordinary shareholders of the Company (basic)                        | \$ <u></u> | 110,993  | 108,881 |
|      | Weighted average number of ordinary shares outstanding (in thousands of shares)                |            | 54,950   | 54,950  |
|      | Basic earnings per share (expressed in NT dollars)                                             | \$         | 2.02     | 1.98    |
| (ii) | Diluted earnings per share                                                                     |            | 2023     | 2022    |
|      | Net profit attributable to ordinary shareholders of the Company (basic)                        | \$         | 110,993  | 108,881 |
|      | Effect of dilutive potential ordinary shares Interest expense on convertible bonds, net of tax |            | <u>-</u> | 54      |
|      | Net profit attributable to ordinary shareholders of the Company (diluted)                      | \$         | 110,993  | 108,935 |
|      | Weighted average number of ordinary shares outstanding (basic) (in thousands of shares)        |            | 54,950   | 54,950  |
|      | Effect of dilutive potential ordinary shares                                                   |            |          | 7.4     |
|      | Effect of conversion of convertible bonds Effect on employees' compensation                    |            | -<br>69  | 74      |
|      | Weighted average number of ordinary shares                                                     |            |          |         |
|      | outstanding (diluted) (in thousands of shares)                                                 |            | 55,019   | 55,024  |
|      | Diluted earnings per share (expressed in NT dollars)                                           | \$         | 2.02     | 1.98    |

# (s) Revenue from contracts with customers

# (i) Disaggregation of revenue

|                              |          |               |          | 2023          | 2022                   |
|------------------------------|----------|---------------|----------|---------------|------------------------|
| Primary geographical markets | <u>s</u> |               | <u>-</u> |               |                        |
| Europe                       |          |               | \$       | 785,468       | 1,058,483              |
| Asia                         |          |               |          | 405,010       | 361,353                |
| Americas                     |          |               |          | 118,687       | 201,850                |
| Others                       |          |               |          | 1,657         | 588                    |
|                              |          |               | \$       | 1,310,822     | 1,622,274              |
| Major products/services      |          |               | <u>-</u> |               |                        |
| Sales of goods               |          |               |          | 1,303,026     | 1,614,164              |
| Rendering of services        |          |               |          | 7,796         | 8,110                  |
| -                            |          |               | \$       | 1,310,822     | 1,622,274              |
| (ii) Contract balances       |          |               |          |               |                        |
|                              | Dece     | mber 31, 2023 | Decen    | nber 31, 2022 | <b>January 1, 2022</b> |
| Contract liabilities         | \$       | 106,558       |          | 106,808       | 56,794                 |

For details on trade and notes receivables and allowance for impairment, please refer to note 6(b).

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

#### (t) Employee compensation and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 5.52% of the profit as employee compensation and less than 2.07% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors.

For the years ended December 31, 2023, the Company estimated its employee compensation and directors' remuneration amounting to \$3,464 thousand and \$1,299 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2023. There were profit before tax for the year ended December 31, 2022, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2023.

#### (u) Non-operating income and expenses

#### (i) Interest income

The details of interest income were as follows:

Interest income from bank deposits

| <br>2023    | 2022  |
|-------------|-------|
| \$<br>5,009 | 1,157 |

# (ii) Other income

The details of other income were as follows:

84,338

(286)

(1,366)

82,875

# QUASER MACHINE TOOLS, INC. Notes to the Parent Company Only Financial Statements

|                                                        | 2023        | 2022   |
|--------------------------------------------------------|-------------|--------|
| Rent income                                            | \$<br>169   | 184    |
| Government grants                                      | 515         | 362    |
| Management services                                    | 4,508       | 979    |
| Benefit for writing off overdue amounts                | -           | 11,445 |
| Others                                                 | 1,780       | 1,045  |
|                                                        | \$<br>6,972 | 14,015 |
| Other gains and losses                                 |             |        |
| The details of other gains and losses were as follows: |             |        |
|                                                        | 2023        | 2022   |
| Gains on disposals of property, plant and equipment    | \$<br>34    | 189    |

16,103

16,137

# (iv) Finance costs

Others

Foreign exchange gains

through profit or loss

(iii)

The details of finance costs were as follows:

Losses on financial assets (liabilities) at fair value

|                                     | <br>2023     | 2022   |
|-------------------------------------|--------------|--------|
| Interest expenses-bank loans        | \$<br>32,327 | 27,896 |
| Interest expenses-convertible bonds | -            | 70     |
| Interest expenses-lease liabilities | 89           | 42     |
| _                                   | \$<br>32,416 | 28,008 |

#### (v) Financial instruments

#### (i) Credit risk

# 1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

#### 2) Concentration of credit risk

As of December 31, 2023 and 2022, the Company's major customers consisted of five customers which accounted for 63% and 79%, respectively, of trade receivable. Thus, credit risk is significantly centralized.

#### 3) Receivables and debt securities

For credit risk exposure of trade receivables and notes receivable, please refer to note 6(b).

Other financial assets at amortized cost includes other receivables. The financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Other receivables had no impairment provision for the years ended December 31, 2023 and 2022.

# (ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

|                                                           |    | Carrying amount | Contractual cash flows | Within 1<br>year | Over 1<br>year |
|-----------------------------------------------------------|----|-----------------|------------------------|------------------|----------------|
| December 31, 2023                                         | _  | _               |                        |                  |                |
| Non derivative financial liabilities                      |    |                 |                        |                  |                |
| Short-term borrowings                                     | \$ | 552,000         | 553,572                | 553,572          | -              |
| Trade and other payables (including from related parties) |    | 235,122         | 235,122                | 235,122          | -              |
| Long-term borrowings (current portion included)           |    | 953,294         | 1,020,344              | 3,532            | 1,016,812      |
| Lease liabilities (current and non-                       |    |                 |                        |                  |                |
| current)                                                  |    | 8,062           | 8,242                  | 3,857            | 4,385          |
|                                                           | \$ | 1,748,478       | 1,817,280              | 796,083          | 1,021,197      |
| December 31, 2022                                         |    |                 |                        |                  |                |
| Non derivative financial liabilities                      |    |                 |                        |                  |                |
| Short-term borrowings                                     | \$ | 1,162,400       | 1,170,191              | 1,170,191        | _              |
| Trade and other payables (including from related parties) |    | 265,567         | 265,567                | 265,567          | -              |
| Long-term borrowings (current portion included)           |    | 438,113         | 451,278                | 143,277          | 308,001        |
| Lease liabilities (current and non-                       |    |                 |                        |                  |                |
| current)                                                  | _  | 4,948           | 5,049                  | 2,203            | 2,846          |
|                                                           | \$ | 1,871,028       | 1,892,085              | 1,581,238        | 310,847        |

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

# (iii) Currency risk

#### 1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

(in thousands)

|                  | December 31, 2023                        |                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      | December 31, 2022                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |
|------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
| Foreign currency | Exchange rate                            | NTD                                                                                                                                                                                           | Foreign currency                                                                                                                                                                                                                                                     | Exchange rate                                                                                                                                                                                                                                                                                                                                                                      | NTD                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |
|                  |                                          |                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |
|                  |                                          |                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |
| 12,154           | 30.705                                   | 373,187                                                                                                                                                                                       | 11,581                                                                                                                                                                                                                                                               | 30.71                                                                                                                                                                                                                                                                                                                                                                              | 355,681                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |
| 4,013            | 33.98                                    | 136,371                                                                                                                                                                                       | 9,670                                                                                                                                                                                                                                                                | 32.72                                                                                                                                                                                                                                                                                                                                                                              | 316,426                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |  |
| 16,159           | 4.327                                    | 69,920                                                                                                                                                                                        | 7,959                                                                                                                                                                                                                                                                | 4.408                                                                                                                                                                                                                                                                                                                                                                              | 35,078                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |
|                  |                                          |                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |
|                  |                                          |                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |  |
| 1,447            | 30.705                                   | 44,422                                                                                                                                                                                        | 2,630                                                                                                                                                                                                                                                                | 30.71                                                                                                                                                                                                                                                                                                                                                                              | 80,772                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |
| 50               | 33.98                                    | 1,702                                                                                                                                                                                         | 21                                                                                                                                                                                                                                                                   | 32.72                                                                                                                                                                                                                                                                                                                                                                              | 655                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |
| 320              | 39.15                                    | 12,546                                                                                                                                                                                        | 309                                                                                                                                                                                                                                                                  | 37.09                                                                                                                                                                                                                                                                                                                                                                              | 11,467                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |  |
|                  | 12,154<br>4,013<br>16,159<br>1,447<br>50 | Foreign currency         Exchange rate           12,154         30.705           4,013         33.98           16,159         4.327           1,447         30.705           50         33.98 | currency         rate         NTD           12,154         30.705         373,187           4,013         33.98         136,371           16,159         4.327         69,920           1,447         30.705         44,422           50         33.98         1,702 | Foreign currency         Exchange rate         NTD         Foreign currency           12,154         30.705         373,187         11,581           4,013         33.98         136,371         9,670           16,159         4.327         69,920         7,959           1,447         30.705         44,422         2,630           50         33.98         1,702         21 | Foreign currency         Exchange rate         NTD         Foreign currency         Exchange rate           12,154         30.705         373,187         11,581         30.71           4,013         33.98         136,371         9,670         32.72           16,159         4.327         69,920         7,959         4.408           1,447         30.705         44,422         2,630         30.71           50         33.98         1,702         21         32.72 |  |  |

#### 2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables; and trade and other payables that are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the EUR, USD, CNY and GBP as of December 31, 2023 and 2022, would have increased (decreased) the net profit after tax by \$4,166 thousand and \$4,914 thousand, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for both periods.

#### 3) Foreign exchange gain and loss on monetary items

### **Notes to the Parent Company Only Financial Statements**

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$16,103 thousand and \$84,338 thousand, respectively.

# (iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.25%, the Company's net income would have increased / decreased by \$3,763 thousand and \$4,001 thousand for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

#### (v) Fair value of financial instruments

#### 1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

|                                                                                |     | December 31, 2023 |          |         |         |       |  |
|--------------------------------------------------------------------------------|-----|-------------------|----------|---------|---------|-------|--|
|                                                                                | _   |                   | alue     |         |         |       |  |
|                                                                                |     | <b>Book Value</b> | Level 1  | Level 2 | Level 3 | Total |  |
| Financial assets measured at amortized cost                                    |     |                   |          |         |         |       |  |
| Cash and cash equivalents                                                      | \$  | 369,855           | =        | =       | =       | -     |  |
| Trade receivables and notes receivable (including from related parties)        |     | 401,107           | -        | -       | -       | -     |  |
| Other receivables (including from related parties)                             |     | 69,284            | -        | -       | -       | -     |  |
| Refundable deposits                                                            |     | 2,620             |          |         |         |       |  |
| Subtotal                                                                       | \$_ | 842,866           |          |         |         |       |  |
| Financial liabilities at amortized cost                                        | _   |                   |          |         |         |       |  |
| Short-term borrowings                                                          | \$  | 552,000           | -        | -       | -       | -     |  |
| Accounts and notes payable and other payables (including from related parties) |     | 235,122           | -        | -       | -       | -     |  |
| Long-term borrowings (current portion included)                                |     | 953,294           | -        | -       | -       | -     |  |
| Lease liabilities (current and non-current)                                    |     | 8,062             | <u> </u> |         |         |       |  |
| Subtotal                                                                       | \$  | 1,748,478         |          |         |         |       |  |

#### **Notes to the Parent Company Only Financial Statements**

**December 31, 2022** Fair Value Level 3 **Book Value** Level 1 Level 2 Total Financial assets measured at amortized cost Cash and cash equivalents \$ 422,530 Trade receivables and notes receivable 434,433 (including from related parties) Other receivables (including from related 80,426 parties) Refundable deposits 2,550 939,939 Subtotal Financial liabilities at amortized cost Short-term borrowings 1,162,400 Accounts and notes payable and other 265,567 payables (including from related parties) Long-term borrowings (current portion 438,113 included) Lease liabilities (current and non-current) 4,948 Subtotal 1,871,028

#### 2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

#### 2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

#### 2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

#### 3) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2023 and 2022.

# (w) Financial risk management

#### (i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent company only financial statements.

#### (ii) Structure of risk management

#### **Notes to the Parent Company Only Financial Statements**

The Company's hedging strategy for engaging in derivatives trading is mainly based on the Company's stable and safe operations. All derivative transactions entered into by the Company are designated as either hedging or trading. Derivative transactions entered into for hedging purposes must hedge risk against fluctuations in foreign exchange rates and interest rates arising from operating activities. The currencies and the amount of derivative instruments held by the Company must match its hedged assets and liabilities denominated in foreign currencies.

The finance department monitors risks to mitigate risk exposures, reports unsettled position, transaction balances and related gains or losses to the management on a monthly basis.

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

#### 1) Trade and other receivables

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the relevant units within the Company.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

#### 2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

#### 3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2023 and 2022, no other guarantees were outstanding.

#### (iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused credit line were amounted to \$507,000 thousand and \$700,000 thousand, respectively.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial

#### **Notes to the Parent Company Only Financial Statements**

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

#### 1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the NTD. The currencies used in these transactions are the NTD, EUR, USD, GBP, and CNY.

#### 2) Interest rate risk

The Company manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates and by using interest rate swap contracts. The Company regularly evaluates hedging activities to align them with interest rate views and established risk appetite to ensure that the most cost-effective hedging strategies are employed.

#### (x) Capital management

The Company's objectives for managing capital are to ensure the ability to sustain operations, deliver returns to shareholders, keep the interest of other related parties, and maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Company's capital management strategy is consistent with the prior year. The Company's debt-to-equity ratio at the end of the reporting periods were as follows:

|                                 |    | December 31,<br>2023 | December 31,<br>2022 |
|---------------------------------|----|----------------------|----------------------|
| Total liabilities               | \$ | 1,897,675            | 2,026,996            |
| Less: cash and cash equivalents |    | (369,855)            | (422,530)            |
| Net debt                        | _  | 1,527,820            | 1,604,466            |
| Total equity                    | _  | 1,420,300            | 1,282,852            |
| Total capital                   | \$ | 2,948,120            | 2,887,318            |
| Debt-to-equity ratio            | _  | 52%                  | 56%                  |

#### (y) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

- (i) For right-of-use assets under leases, please refer to note 6 (f) and (j).
- (ii) Reconciliation of liabilities arising from financing activities were as follows:

|                                                 |    |                    |            | Non-cash changes                   | <u></u>           |
|-------------------------------------------------|----|--------------------|------------|------------------------------------|-------------------|
|                                                 |    | January 1,<br>2023 | Cash flows | Increase (decrease) for the period | December 31, 2023 |
| Short-term borrowings                           | \$ | 1,162,400          | (610,400)  | -                                  | 552,000           |
| Lease liabilities (current and non-<br>current) |    | 4,948              | (2,830)    | 5,944                              | 8,062             |
| Long-term borrowings (current                   |    |                    |            |                                    |                   |
| portion included)                               | -  | 438,113            | 515,181    | <u> </u>                           | 953,294           |
| Total liabilities from financing activities     | \$ | 1,605,461          | (98,049)   | 5,944                              | 1,513,356         |
|                                                 |    |                    |            | Non-cash changes                   |                   |
|                                                 |    | January 1,         |            |                                    | December          |
|                                                 | _  | 2022               | Cash flows | Increase (decrease) for the period | 31, 2022          |
| Short-term borrowings                           | \$ | 753,400            | 409,000    | -                                  | 1,162,400         |
| Bonds payable                                   |    | 4,730              | (4,800)    | 70                                 | -                 |
| Lease liabilities (current and non-<br>current) |    | 3,161              | (3,069)    | 4,856                              | 4,948             |
| Long-term borrowings (current                   |    |                    |            |                                    |                   |
| portion included)                               | _  | 955,219            | (517,106)  | <u> </u>                           | 438,113           |
| Total liabilities from financing activities     | \$ | 1,716,510          | (115,975)  | 4,926                              | 1,605,461         |

# 7. Related-party transactions

# (a) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

| Name of related party                                    | Relationship with the Company |
|----------------------------------------------------------|-------------------------------|
| Quaser Europe Technical Center AG (Quaser Europe)        | Subsidiaries                  |
| Quaser America Machine Tools, Inc. (Quaser America)      | Subsidiaries                  |
| Kunshan Quaser Machine Tools, Inc. (Kunshan Quaser)      | Subsidiaries                  |
| Quaser Europe Technical Center Gmbh (Quaser Europe Gmbh) | Subsidiaries                  |
| Winbro Group UK Limited (Winbro UK)                      | Subsidiaries                  |
| Winbro Group Technologies Limited (Winbro Ltd)           | Sub-subsidiaries              |
| Winbro Group Technologies LLC (Winbro LLC)               | Sub-subsidiaries              |

# (b) Significant transactions with related parties

# (i) Sale of goods to related parties

The amounts of significant sales and receivables by the Company to its related parties were as follows:

|                                      | Sa            | ale     | Receivables from related parties |                          |  |
|--------------------------------------|---------------|---------|----------------------------------|--------------------------|--|
|                                      | 2023          | 2022    | <b>December 31, 2023</b>         | <b>December 31, 2022</b> |  |
| Subsidiaries — Quaser<br>Europe Gmbh | \$<br>86,316  | 90,147  | 19,535                           | 50,464                   |  |
| Subsidiaries — Quaser<br>America     | -             | 119,632 | -                                | 64,717                   |  |
| Subsidiaries —<br>Kunshan Quaser     | 145,601       | 39,939  | 27,518                           | 18,491                   |  |
| Sub-subsidiaries —<br>Winbro LLC     | 116,850       | 81,249  | 48,013                           | 54,755                   |  |
| Sub-subsidiaries —<br>Winbro Ltd     | 56,823        | 48,151  | 17,104                           | 13,854                   |  |
|                                      | \$<br>405,590 | 379,118 | 112,170                          | 202,281                  |  |

The sales price of the Company to its related parties is not materially different from those of non-related parties. During 2023 and 2022, the collection terms for sales to subsidiaries and subsubsidiaries were T/T 180 days and T/T 120 days, respectively.

#### (ii) Purchases from related parties

The amounts of significant purchases and payables by the Company from related parties were as follows:

|                                  | Purchases    |        | Payables to re           | ated parties             |  |
|----------------------------------|--------------|--------|--------------------------|--------------------------|--|
|                                  | 2023         | 2022   | <b>December 31, 2023</b> | <b>December 31, 2022</b> |  |
| Sub-subsidiaries —<br>Winbro Ltd | \$<br>25,298 | 56,466 | 52,322                   | 88,165                   |  |
| Subsidiaries                     | 241          | 5,393  | 483                      | 183                      |  |
|                                  | \$<br>25,539 | 61,859 | 52,805                   | 88,348                   |  |

The purchases price of the Company to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. During 2023 and 2022, the payment terms for purchases to related parties were T/T and month-end 30 days, which were not materially different from those of the third parties.

# (iii) Provides technical and management services to related parties

The Company's income from providing technical and management services to related parties in 2023 and 2022 were as follows:

|                               | 2023        | 2022  |
|-------------------------------|-------------|-------|
| Subsidiaries – Kunshan Quaser | \$<br>1,910 | 3,027 |
| Subsidiaries                  | 3           | -     |
| Sub-subsidiaries — Winbro Ltd | 4,508       | 979   |
| Sub-subsidiaries              | 59          | -     |
|                               | \$<br>6,480 | 4,006 |

# (iv) Other receivables from related parties

The Company's accounts receivable arising from sales to related parties were transferred to other

receivables because the aging exceeds the credit period for a certain period. The details were as follows:

|                                                                      | De | cember 31,<br>2023           | December 31, 2022              |
|----------------------------------------------------------------------|----|------------------------------|--------------------------------|
| Subsidiaries – Quaser Europe Gmbh                                    | \$ | 22,505                       | 44,744                         |
| Subsidiaries – Quaser America                                        |    | 5,847                        | 11                             |
| Subsidiaries – Kunshan Quaser                                        |    | 312                          | 15,234                         |
| Sub-subsidiaries – Winbro LLC                                        |    | 18,747                       | 9,071                          |
| Sub-subsidiaries — Winbro Ltd                                        |    | 19,070                       | 5,589                          |
| Sub substitution without Ltd                                         |    |                              |                                |
|                                                                      | \$ | 66,481                       | 74,649                         |
|                                                                      | \$ | 66,481<br>cember 31,<br>2023 | 74,649<br>December 31,<br>2022 |
|                                                                      | \$ | cember 31,                   | December 31,                   |
| Other payables to related parties                                    |    | cember 31,<br>2023           | December 31,<br>2022           |
| Other payables to related parties  Subsidiaries — Quaser Europe Gmbh |    | cember 31,<br>2023           | December 31,<br>2022           |

# (c) Key management personnel compensation comprised:

|                              | 2023         | 2022   |
|------------------------------|--------------|--------|
| Short-term employee benefits | \$<br>12,773 | 10,750 |
| Post-employment benefits     | 242          | 416    |
| -                            | \$<br>13,015 | 11,166 |

# 8. Pledged Assets

(v)

The carrying values of pledged assets were as follows:

| Pledged Assets           | Subject of pledge guarantee                     | December 31, 2023 | December 31, 2022 |
|--------------------------|-------------------------------------------------|-------------------|-------------------|
| Land                     | Collateral for bank borrowings and credit lines | \$<br>123,978     | 123,978           |
| Buildings and structures | Collateral for bank borrowings and credit lines | 3,971             | 7,637             |
|                          |                                                 | \$<br>127,949     | 131,615           |

# 9. Significant commitments and contingencies

The Company's unrecognized contractual commitments were as follows:

|                                              | December 2023 | , | December 31,<br>2022 |
|----------------------------------------------|---------------|---|----------------------|
| Acquisition of property, plant and equipment | \$            | - | 3,234                |

# 10. Losses due to major disasters: None.

# 11. Subsequent events: None.

#### **Notes to the Parent Company Only Financial Statements**

#### 12. Other

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| By function                |                 | 2023               |         | 2022            |                    |         |  |
|----------------------------|-----------------|--------------------|---------|-----------------|--------------------|---------|--|
| By item                    | Operating costs | Operating expenses | Total   | Operating costs | Operating expenses | Total   |  |
| Employee benefits          |                 |                    |         |                 |                    |         |  |
| Salary                     | \$<br>59,655    | 89,123             | 148,778 | 57,736          | 84,394             | 142,130 |  |
| Labor and health insurance | 5,934           | 8,082              | 14,016  | 5,670           | 7,557              | 13,227  |  |
| Pension                    | 2,826           | 3,620              | 6,446   | 2,936           | 3,726              | 6,662   |  |
| Directors' remuneration    | -               | 2,838              | 2,838   | -               | 1,536              | 1,536   |  |
| Others                     | 2,373           | 2,847              | 5,220   | 2,763           | 647                | 3,410   |  |
| Depreciation               | 5,883           | 8,761              | 14,644  | 7,590           | 7,217              | 14,807  |  |
| Amortization               | 206             | 2,140              | 2,346   | 135             | 1,890              | 2,025   |  |

Additional information on the numbers of employees and the employee benefits of the Company in 2023 and 2022:

|                                                  | 2023        | 2022  |
|--------------------------------------------------|-------------|-------|
| The numbers of employees                         | 178         | 166   |
| The numbers of directors excluding the employees | 9           | 9     |
| The average of employees' benefits               | \$<br>1,032 | 1,054 |
| The average of salary                            | \$<br>880   | 905   |
| The average of salary adjustment                 | (2.76)%     | 4.87% |

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (i) Directors' remuneration is paid in accordance with the resolution of the board of directors, including travel expenses for each board meeting. Independent directors receive fixed remuneration every month, and no other related variable remuneration is paid. The directors allocate director remuneration in accordance with the Company's articles of incorporation, and the Salary and Compensation Committee considers the overall board performance, the operating performance, development trends of the industry, risk appetite, and formulates a distribution proposal, which is approved by the board of directors and submitted to the shareholders' meeting. Directors' remuneration is distributed separately based on the individual director's participation in the company operations and the value of their contribution.
- (ii) The Salary and Compensation Committee may measure the appropriate amount of a managers' salary based on their overall participation in the operations and contribution to the Company, based on peer salary levels. In addition, based on the Company's seniority and position value, the annual salary increase shall not exceed 10%.
- (iii) The remuneration of employee mainly includes salary, bonus and employee remuneration. As for the standard of remuneration payment, the basic salary is based on the market competition situation and company policies of the work position held by the employees; bonuses and employee remuneration are based on personal abilities and performance and contribution to the company operations, as well as the positions and responsibilities held. Responsibilities are determined with reference to market peer standards.

# **Notes to the Parent Company Only Financial Statements**

#### 13. Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers":

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

|     |                   |                          |                   |               | Highest balance                                       |                   | Actual                                  | Range of                                  | Purposes of                                       | Transaction                                               | Reasons                         |                   | Coll | lateral | Individual                         | Maximum                                   |
|-----|-------------------|--------------------------|-------------------|---------------|-------------------------------------------------------|-------------------|-----------------------------------------|-------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|---------------------------------|-------------------|------|---------|------------------------------------|-------------------------------------------|
| No. | Name of<br>lender | Name of<br>borrower      | Account<br>name   | Related party | of financing to<br>other parties<br>during the period | Ending<br>balance | usage<br>amount<br>during the<br>period | interest<br>rates<br>during the<br>period | fund<br>financing for<br>the borrower<br>(Note 3) | amount for<br>business<br>between two<br>parties (Note 4) | for short-<br>term<br>financing | Loss<br>allowance | Item | Value   | funding<br>loan limits<br>(Note 1) | limit of<br>fund<br>financing<br>(Note 2) |
| 0   | The<br>Company    | Quaser<br>Europe<br>Gmbh | Other receivables | Yes           | 127,123                                               | 34,772            | 34,772                                  |                                           | 1                                                 | 90,147                                                    | -                               | -                 | -    | -       | 142,030                            | 568,120                                   |
| 0   | The<br>Company    | Kunshan<br>Quaser        | Other receivables | Yes           | 21,333                                                | 1                 | 1                                       |                                           | 1                                                 | 42,966                                                    | -                               | -                 | -    | -       | 142,030                            | 568,120                                   |
| 0   | The<br>Company    | Quaser<br>America        | Other receivables | Yes           | 42,692                                                | 5,835             | 5,835                                   |                                           | 1                                                 | 119,632                                                   | -                               | -                 | -    | -       | 142,030                            | 568,120                                   |
| 0   | The<br>Company    | Winbro<br>LLC            | Other receivables | Yes           | 54,616                                                | 18,829            | 18,829                                  |                                           | 1                                                 | 81,249                                                    | -                               | -                 | -    | -       | 142,030                            | 568,120                                   |
| 0   | The<br>Company    | Winbro Ltd               | Other receivables | Yes           | 15,267                                                | 244               | 244                                     |                                           | 1                                                 | 48,151                                                    | -                               | -                 | -    | -       | 142,030                            | 568,120                                   |
| 1   | Quaser<br>Europe  | Quaser<br>Europe<br>Gmbh | Other receivables | Yes           | 44,201                                                | 43,644            | 43,644                                  |                                           | 1                                                 | -                                                         | -                               | -                 | -    | -       | 178,140                            | 178,140                                   |
| 2   | Winbro<br>Ltd     | Winbro<br>LLC            | Other receivables | Yes           | 68,743                                                | 60,723            | 60,723                                  |                                           | 1                                                 | 86,985                                                    | -                               | -                 | -    | -       | 1,971,408                          | 1,971,408                                 |
| 3   | Winbro<br>LLC     | Winbro Ltd               | Other receivables | Yes           | 10,055                                                | 10,055            | 10,055                                  |                                           | 1                                                 | 479                                                       | -                               | -                 | -    | -       | 1,349,952                          | 1,349,952                                 |
| 4   | Quaser<br>America | Winbro<br>LLC            | Other receivables | Yes           | 99,373                                                | 95,787            | 95,787                                  |                                           | 1                                                 | 92,845                                                    | -                               | -                 | -    | -       | 394,776                            | 394,776                                   |

Note 1: Individual financing amount must be less than 10%, 400%, 400%, 400% and 400% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LtC's and Quaser America's latest net asset value (the Company's net asset value as of December 31, 2023 was \$1,420,300 thousand × 10% = \$142,030 thousand; Quaser Europe's net asset value as of December 31, 2023 was \$44,535 thousand × 400% = \$178,140 thousand; Winbro Ltd's net asset value as of December 31, 2023 was \$492,852

#### **Notes to the Parent Company Only Financial Statements**

- thousand  $\times$  400% = \$1,971,408 thousand; Winbro LLC's net asset value as of December 31, 2023 was \$337,488 thousand  $\times$  400% = \$1,349,952 thousand; Quaser America's net asset value as of December 31, 2023 was \$98,694 thousand  $\times$  400% = \$394,776 thousand).
- Note 2: The maximum amount must be less than 40%, 400%, 400%, 400% and 400% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LtC's and Quaser America's latest net asset value (the Company's net asset value as of December 31, 2023 was \$1,420,300 thousand × 40% = \$568,120 thousand; Quaser Europe's net asset value as of December 31, 2023 was \$44,535 thousand × 400% = \$178,140 thousand; Winbro Ltd's net asset value as of December 31, 2023 was \$492,852 thousand × 400% = \$1,971,408 thousand; Winbro LtC's net asset value as of December 31, 2023 was \$337,488 thousand × 400% = \$1,349,952 thousand; Quaser America's net asset value as of December 31, 2023 was \$98,694 thousand × 400% = \$394,776 thousand).
- Note 3: The nature of financing provided could be:
  - 1) business relationship.
  - 2) short-term financial assistance.
- Note 4: When the nature of financing provided was for business relationship, the business transaction amount should be listed. The amounts were from the business transactions of the most recent year between the lender and the borrower.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD 300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

| Name of        | Cotogowyond                   | Account                                                | Name of                  | f Relationship      | Beginning Balance |        | Purchases |                   | Sales  |       |      |                               | Ending Balance |         |
|----------------|-------------------------------|--------------------------------------------------------|--------------------------|---------------------|-------------------|--------|-----------|-------------------|--------|-------|------|-------------------------------|----------------|---------|
| company        | Category and name of security | Account<br>name                                        | counter-<br>party        | with the<br>company | Shares            | Amount | Shares    | Amount            | Shares | Price | Cost | Gain<br>(loss) on<br>disposal | Shares         | Amount  |
| The<br>Company | Quaser Europe<br>Gmbh         | Investments<br>accounted for<br>using equity<br>method | Quaser<br>Europe<br>Gmbh | Subsidiary          | 25,000            | 841    | -         | 120,607<br>(Note) | -      | -     | -    | 1                             | 25,000         | 121,448 |

Note: The above amount is the investment cost. For information on its book value, please refer to note 13 (b) "Information on investees".

- (v) Acquisition of individual real estate with amounts exceeding the lower of TWD 300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amounts exceeding the lower of TWD 300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD 100 million or 20% of the capital stock:

# **Notes to the Parent Company Only Financial Statements**

(In Thousands of New Taiwan Dollars)

|                 |                  |                           | Transaction details |         |                                           |                  |               | ctions with<br>different<br>n others | Note<br>receivable |                                                                                                    |      |
|-----------------|------------------|---------------------------|---------------------|---------|-------------------------------------------|------------------|---------------|--------------------------------------|--------------------|----------------------------------------------------------------------------------------------------|------|
| Name of company | Related<br>party | Nature of relationship    | Purchase/<br>Sale   | Amount  | Percentage of<br>total<br>purchases/sales | Payment<br>terms | Unit<br>price | Payment<br>terms                     | Ending<br>balance  | Percentage of total<br>notes receivable/trade<br>receivables (Notes<br>payable/ Trade<br>payables) | Note |
| The             | Kunshan          | Parent and subsidiary     | Sales               | 147,511 | 5%                                        | T/T 180          | -             |                                      | 27,518             | 4%                                                                                                 |      |
| Company         | Quaser           | companies                 |                     |         |                                           | days             |               |                                      |                    |                                                                                                    |      |
| The             | Winbro LLC       | Parent and sub-subsidiary | Sales               | 116,909 | 4%                                        | T/T 120          | -             |                                      | 48,013             | 7%                                                                                                 |      |
| Company         |                  | companies                 |                     |         |                                           | days             |               |                                      |                    |                                                                                                    |      |
| Winbro          | Winbro LLC       | Sub-subsidiary companies  | Sales               | 112,572 | 4%                                        | T/T 90           | -             |                                      | 130,342            | 18%                                                                                                |      |
| Ltd             |                  |                           |                     |         |                                           | days             |               |                                      |                    |                                                                                                    |      |

(viii)Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

| Name of          |                   |                          | Balance of                       | Turnover       |        | Overdue                           | Amounts                             |                             |
|------------------|-------------------|--------------------------|----------------------------------|----------------|--------|-----------------------------------|-------------------------------------|-----------------------------|
| related<br>party | Counter-<br>party | Relationship             | receivable<br>from related party | rate<br>(Note) | Amount | Action taken                      | received in<br>subsequent<br>period | Allowances<br>for bad debts |
| Winbro Ltd       | Winbro LLC        | Sub-subsidiary companies | 130,342                          | 2.07           | 60,723 | Accounting for other receivables. | 30,705                              | -                           |

Note: The calculation of turnover rate does not include other receivables.

(ix) Trading in derivative instruments: None.

# (b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars/Foreign Currencies in Thousands) (Unit: Shares)

|                  |                  |             |                              | Original inves    | stment amount            | Amount he | ld at the end                 | of the period     | Highest                                             |               |                                                    |            |
|------------------|------------------|-------------|------------------------------|-------------------|--------------------------|-----------|-------------------------------|-------------------|-----------------------------------------------------|---------------|----------------------------------------------------|------------|
| Name of investor | Name of investee | Location    | Main businesses and products | End of the period | End of the previous year | Shares    | Percentage<br>of<br>ownership | Carrying<br>value | percentage<br>of<br>ownership<br>during the<br>year | (loss) of the | Investment income (loss) recognized by the Company | Note       |
| The Company      | Quaser Europe    | Switzerland | Buys and sells machines      | 3,076             | 3,076                    | 1,000     | 100%                          | 44,535            | 100%                                                | (49)          | (49)                                               | Subsidiary |
| The Company      | Quaser America   | America     | Buys and sells machines      | 189,455           | 189,455                  | 6,000,000 | 100%                          | 98,694            | 100%                                                | (4,787)       | (4,787)                                            | Subsidiary |
|                  |                  |             |                              |                   |                          |           |                               |                   |                                                     |               |                                                    | (Note 2)   |

# **Notes to the Parent Company Only Financial Statements**

|                  |                       |                   |                                                       | Original inves    | tment amount             | Amount he | ld at the end                 | of the period     | Highest |                                         |                                                             |                |
|------------------|-----------------------|-------------------|-------------------------------------------------------|-------------------|--------------------------|-----------|-------------------------------|-------------------|---------|-----------------------------------------|-------------------------------------------------------------|----------------|
| Name of investor | Name of investee      | Location          | Main businesses and products                          | End of the period | End of the previous year | Shares    | Percentage<br>of<br>ownership | Carrying<br>value |         | Net income<br>(loss) of the<br>investee | Investment<br>income (loss)<br>recognized by<br>the Company |                |
| The Company      | Winbro UK             | United<br>Kingdom | Overseas reinvested holding company                   | 1,845,204         | 1,845,204                | 1,425,000 | 100%                          | 1,351,461         | 100%    | 93,741                                  | 47,409                                                      | Subsidiary     |
| The Company      | Quaser Europe<br>Gmbh | Germany           | Buys and sells machines                               | 121,448           | 841                      | 25,000    | 100%                          | 87,540            | 100%    | (3,484)                                 | (3,484)                                                     | Subsidiary     |
| Winbro UK        | Winbro Ltd            | United<br>Kingdom | Aerospace machinery<br>manufacturing and<br>machining | GBP 90            | GBP 90                   | 9,029,804 | 100%                          | GBP 12,589        | 100%    | GBP (1,046)                             | (Note 1)                                                    | Sub-subsidiary |
| Winbro UK        | Winbro LLC            | America           | Aerospace machinery<br>manufacturing and<br>machining | USD 33,576        | USD 33,576               | -         | 100%                          | USD 10,991        | 100%    | USD 4,274                               | (Note 1)                                                    | Sub-subsidiary |

Note 1: According to regulations, it does not need to fill out.

Note 2: The liquidation of the Company's subsidiary, Quaser America, was resolved by the Board of Directors. As of December 31, 2023, the relevant procedures are still in process.

- (c) Information on investment in mainland China:
  - (i) The names of investees in mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars/In Thousands of Chinese Yuan/In Thousands of United States Dollars)

|                  |                              |                                       |                             |                                                                     | Investme   | nt flows |                        |                                           |                 | Highest                                       | Investment       | Book value                    | Accumulated                                       |
|------------------|------------------------------|---------------------------------------|-----------------------------|---------------------------------------------------------------------|------------|----------|------------------------|-------------------------------------------|-----------------|-----------------------------------------------|------------------|-------------------------------|---------------------------------------------------|
| Name of investee | Main businesses and products | Total amount<br>of paid-in<br>capital | Method of investment        | Accumulated outflow of investment from Taiwan as of January 1, 2023 | Outflow    | Inflow   | investment from Taiwan | Net income<br>(losses) of<br>the investee | of<br>ownership | percentage of<br>ownership<br>during the year | income<br>(loss) | as of<br>December 31,<br>2023 | remittance of<br>earnings in<br>current<br>period |
| Kunshan          | Buys and sells               | 49,238                                | The investment              | 38,500                                                              | -          | -        | 38,500                 | 14,870                                    | 100%            | 100%                                          | 14,870           | 12,718                        | -                                                 |
| Quaser           | machines                     | (USD 1,500)                           | was made direct             | (USD 1,280)                                                         |            |          | (USD 1,280)            |                                           |                 |                                               |                  |                               |                                                   |
|                  |                              |                                       | investments in              |                                                                     |            |          |                        |                                           |                 |                                               |                  |                               |                                                   |
|                  |                              |                                       | companies in mainland China |                                                                     |            |          |                        |                                           |                 |                                               |                  |                               |                                                   |
| Zhongshan        | Manufacturing                | 86,220                                | The investment              | -                                                                   | 34,889     | -        | 34,889                 | (187)                                     | 40%             | 40%                                           | (75)             | 34,542                        | -                                                 |
| Xuguang          | and selling                  | (CNY 20,000)                          | was made direct             |                                                                     | (CNY8,000) |          | (CNY8,000)             |                                           |                 |                                               |                  |                               |                                                   |
|                  | machines                     |                                       | investments in              |                                                                     |            |          |                        |                                           |                 |                                               |                  |                               |                                                   |
|                  |                              |                                       | companies in                |                                                                     |            |          |                        |                                           |                 |                                               |                  |                               |                                                   |
|                  |                              |                                       | mainland China              |                                                                     |            |          |                        |                                           |                 |                                               |                  |                               |                                                   |

# **Notes to the Parent Company Only Financial Statements**

# (ii) Limitation on investment in mainland China:

(In Thousands of New Taiwan Dollars/In Thousands of Chinese Yuan/In Thousands of United States Dollars)

| Accumulated Investment in mainland China as of December 31, 2023 | Investment Amount Authorized by Investment Commission, MOEA | Upper limit on investment |
|------------------------------------------------------------------|-------------------------------------------------------------|---------------------------|
| NTD\$73,389                                                      | NTD\$73,389                                                 | 852,180                   |
| (USD\$ 1,280)                                                    | (USD\$ 1,280)                                               |                           |
| (CNY\$ 8,000)                                                    | (CNY\$ 8,000)                                               |                           |

# (iii) Significant transactions

The significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

# (d) Major shareholders

Unit: Shares

| Shareholder's Name              | Shareholding | Shares     | Percentage |
|---------------------------------|--------------|------------|------------|
| Yeh Chiang Technology Co., Ltd. |              | 12,433,500 | 22.62 %    |
| Shieh, Raui-Mu                  |              | 5,511,310  | 10.02 %    |
| Xude Investment Co., Ltd.       |              | 5,107,118  | 9.29 %     |

# 14. Segment information

Please refer to the consolidated financial statement for the year 2023.

# Quaser Machine Tools, Inc.



Chairman Shieh, Raui-Mu