

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

## **Consolidated Financial Statements**

### **With Independent Auditors' Review Report**

**For the Three Months Ended March 31, 2024 and 2023**

**Address: No.3, Gong 6th Rd., Youshih Industrial Park, Dajia District, Taichung City, Taiwan (R.O.C.)**

**Telephone: (04)2682-1277**

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

## Table of contents

Contents	Page
1.Cover Page	1
2.Table of Contents	2
3.Independent Auditors' Review Report	3
4.Consolidated Balance Sheets	4
5.Consolidated Statements of Comprehensive Income	5
6.Consolidated Statements of Changes in Equity	6
7.Consolidated Statements of Cash Flows	7
8.Notes to Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	11~27
(7) Related-party transactions	27~28
(8) Pledged assets	28
(9) Significant commitments and contingencies	28~29
(10) Losses due to major disasters	29
(11) Subsequent events	29
(12) Other	29
(13) Other disclosures	
(a) Information on significant transactions	29~31
(b) Information on investees	31~32
(c) Information on investment in mainland China	32~33
(d) Major shareholders	33
(14) Segment information	33

## **Independent Auditors' Review Report**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Quaser Machine Tools, Inc. and its subsidiaries as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, and notes to the consolidated financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As stated in Note 4(b) to the consolidated financial statements, the financial statements of certain non-significant subsidiaries included in the consolidated financial statements were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$271,454 thousand and NT\$248,870 thousand, constituting 6.80% and 6.39% of the consolidated total assets as of March 31, 2024 and 2023, respectively, and total liabilities amounting to NT\$3,044 thousand and NT\$12,388 thousand, constituting 0.12% and 0.48% of the consolidated total liabilities as of March 31, 2024 and 2023, respectively, and total comprehensive income (loss) amounting to NT\$5,781 thousand and NT\$(157) thousand, constituting 6.12% and (0.69)% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2024 and 2023, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Quaser Machine Tools, Inc. and its subsidiaries in its investee company of NT\$34,647 thousand as of March 31, 2024, and its equity in net earnings (loss) on this investee company of NT\$(334) thousand for the three months ended March 31, 2024, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes

us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Quaser Machine Tools, Inc. and its subsidiaries as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
May 7, 2024

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**March 31, 2024, December 31 and March 31, 2023**  
**(Expressed in thousands of New Taiwan Dollar)**

Assets	March 31, 2024		December 31, 2023		March 31, 2023		Liabilities and Equity	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents (Note 6(a))	\$ 596,511	15	838,416	22	806,633	21	Short-term borrowings (Note 6(j) and 8)	\$ 552,000	14	552,000	14	1,083,166	28
Current financial assets at fair value through profit or loss (Note 6(b))	30	-	-	-	-	-	Current financial liabilities at fair value through profit or loss (Note 6(b))	32	-	-	-	16	-
Notes receivable, net (Note 6(c))	87,458	2	30,571	1	10,115	-	Current contract liabilities (Note 6(s))	235,409	6	178,607	5	385,006	10
Trade receivable, net (Note 6(c))	898,883	22	660,222	17	523,532	13	Notes payable	36	-	171	-	120	-
Trade receivable due from related parties	227	-	-	-	-	-	Accounts payable	271,237	6	185,900	5	223,040	6
Other receivables	23,026	1	16,930	-	20,217	1	Other payables (Note 6(l))	200,430	5	282,873	7	202,164	5
Other receivables due from related parties	519	-	-	-	-	-	Current tax liabilities	49,489	1	60,747	2	55,174	1
Current tax assets	21,536	1	13,509	-	13,158	-	Current provisions (Note 6(n))	21,140	1	21,101	1	15,246	-
Inventories (Note 6(d))	1,152,988	29	1,058,751	28	1,270,540	33	Current lease liabilities (Note 6(k))	37,845	1	35,948	1	32,077	1
Other current assets (Note 6(i))	43,967	1	56,310	2	53,369	1	Long-term borrowing, current portion (Note 6(m) and 8)	4,913	-	2,806	-	135,327	4
	2,825,145	71	2,674,709	70	2,697,564	69	Other current liabilities	848	-	831	-	845	-
								1,373,379	34	1,320,984	35	2,132,181	55
<b>Non-current assets:</b>							<b>Non-current liabilities:</b>						
Investments accounted for using equity method (Note 6(e))	34,647	1	34,542	1	-	-	Long-term borrowings (Note 6(m) and 8)	948,381	24	950,488	25	297,193	8
Property, plant and equipment (Note 6(f) and 8)	427,714	10	427,899	11	469,101	12	Non-current provisions (Note 6(n))	4,748	-	4,668	-	4,216	-
Right-of-use assets (Note 6(g))	127,426	3	126,048	3	140,773	4	Deferred tax liabilities	51,012	1	34,829	1	35,514	1
Intangible assets (Note 6(h))	164,196	4	164,671	4	180,593	5	Non-current lease liabilities (Note 6(k))	99,452	3	99,992	2	118,344	3
Goodwill (Note 6(h))	311,108	8	298,732	8	296,295	8		1,103,593	28	1,089,977	28	455,267	12
Deferred tax assets	74,569	2	79,192	2	85,968	2	<b>Total liabilities</b>	2,476,972	62	2,410,961	63	2,587,448	67
Net defined benefit assets	21,767	1	21,461	1	18,853	-	<b>Equity attributable to owners of parent:</b> (Note 6(q))						
Other non-current assets (Note 6(i))	5,167	-	4,007	-	3,950	-	Common stock	549,500	14	549,500	14	549,500	14
	1,166,594	29	1,156,552	30	1,195,533	31	Capital surplus	820,363	21	820,363	22	880,109	22
							Unappropriated retained earnings (Accumulated deficit)	83,231	2	35,351	1	(115,480)	(3)
							Other Equity	61,673	1	15,086	-	(8,480)	-
							<b>Total equity</b>	1,514,767	38	1,420,300	37	1,305,649	33
<b>Total assets</b>	<b>\$ 3,991,739</b>	<b>100</b>	<b>3,831,261</b>	<b>100</b>	<b>3,893,097</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 3,991,739</b>	<b>100</b>	<b>3,831,261</b>	<b>100</b>	<b>3,893,097</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the three months ended March 31, 2024 and 2023****(Expressed in thousands of New Taiwan Dollar, except for earnings per share)**

	For the three months ended March 31			
	2024		2023	
	Amount	%	Amount	%
<b>Operating revenue</b> (Note 6(s))	\$ 691,668	100	561,134	100
<b>Operating costs</b> (Note 6(d), (o) and 12)	475,962	69	390,130	69
<b>Gross profit</b>	215,706	31	171,004	31
<b>Operating expenses</b> (Note 6(o), (t) and 12)				
Selling expenses	32,094	4	27,751	5
Administrative expenses	88,901	13	66,731	12
Research and development expenses	30,566	4	13,685	2
Expected credit loss (Note 6(c))	4,859	1	3,010	1
	156,420	22	111,177	20
<b>Operating income</b>	59,286	9	59,827	11
<b>Non-operating income and expenses</b> (Note 6(u))				
Interest income	1,608	-	1,598	-
Other income	232	-	772	-
Other gains and losses	21,104	3	1,068	-
Finance costs (Note 6(k))	(8,498)	(1)	(9,644)	(1)
Share of loss of associates accounted for using equity method (Note 6(e))	(334)	-	-	-
	14,112	2	(6,206)	(1)
<b>Profit before income tax</b>	73,398	11	53,621	10
<b>Less: Income tax expenses</b> (Note 6(p))	25,518	4	32,503	6
<b>Profit for the period</b>	47,880	7	21,118	4
<b>Other comprehensive income:</b>				
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
Exchange differences on translation of foreign financial statements	58,234	8	2,099	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(p))	(11,647)	(1)	(420)	-
<b>Other comprehensive income for the period, net of tax</b>	46,587	7	1,679	-
<b>Total comprehensive income</b>	\$ <b>94,467</b>	<b>14</b>	<b>22,797</b>	<b>4</b>
<b>Earnings per share (NT Dollars)</b> (Note 6(r))				
<b>Basic earnings per share</b>	\$ <b>0.87</b>		<b>0.38</b>	
<b>Diluted earnings per share</b>	\$ <b>0.87</b>		<b>0.38</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2024 and 2023**  
**(Expressed in thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent							
	Retained earnings						Other equity	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficit)	Total	Exchange differences on translation of foreign financial statements	
<b>Balance at January 1, 2023</b>	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Profit for the period	-	-	-	-	21,118	21,118	-	21,118
Other comprehensive income for the period	-	-	-	-	-	-	1,679	1,679
Total comprehensive income for the period	-	-	-	-	21,118	21,118	1,679	22,797
<b>Balance at March 31, 2023</b>	<b>\$ 549,500</b>	<b>880,109</b>	<b>-</b>	<b>2,724</b>	<b>(118,204)</b>	<b>(115,480)</b>	<b>(8,480)</b>	<b>1,305,649</b>
<b>Balance at January 1, 2024</b>	\$ 549,500	820,363	-	2,724	32,627	35,351	15,086	1,420,300
Profit for the period	-	-	-	-	47,880	47,880	-	47,880
Other comprehensive income for the period	-	-	-	-	-	-	46,587	46,587
Total comprehensive income for the period	-	-	-	-	47,880	47,880	46,587	94,467
<b>Balance at March 31, 2024</b>	<b>\$ 549,500</b>	<b>820,363</b>	<b>-</b>	<b>2,724</b>	<b>80,507</b>	<b>83,231</b>	<b>61,673</b>	<b>1,514,767</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the three months ended March 31, 2024 and 2023****(Expressed in thousands of New Taiwan Dollar)**

	For the three months ended March 31	
	2024	2023
<b>Cash flows from (used in) operating activities</b>		
Profit before tax	\$ 73,398	53,621
Adjustments		
Adjustments to reconcile profit		
Depreciation expense	32,710	31,522
Amortization expense	7,220	7,128
Expected credit loss	4,859	3,010
Net loss on financial assets or liabilities at fair value through profit or loss	2	16
Interest expense	8,498	9,644
Interest income	(1,608)	(1,598)
Share of loss of associates accounted for using equity method	334	-
Gain on disposal of property, plant and equipment	(307)	-
Unrealized foreign exchange loss (gain)	(19,438)	8,242
Total adjustments to reconcile profit (loss)	32,270	57,964
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	(56,887)	13,154
Decrease (increase) in trade receivable (including from related parties)	(196,891)	(44,427)
Decrease (increase) in other receivables (including from related parties)	(3,911)	3,344
Decrease (increase) in inventories	(64,862)	(113,231)
Adjustments for decrease (increase) in other current assets	13,116	22,095
Decrease (increase) in net defined benefit assets	(306)	(196)
Total changes in operating assets	(309,741)	(119,261)
Changes in operating liabilities		
Increase (decrease) in contract liabilities	53,247	39,266
Increase (decrease) in notes payable	(135)	(42)
Increase (decrease) in accounts payable	65,781	28,141
Increase (decrease) in other payables	(88,764)	(38,704)
Increase (decrease) in provisions	(414)	1,396
Adjustments for increase (decrease) in other current liabilities	17	(119)
Total changes in operating liabilities	29,732	29,938
Total changes in operating assets and liabilities	(280,009)	(89,323)
Total adjustments	(247,739)	(31,359)
Cash inflow (outflow) generated from operations	(174,341)	22,262
Interest received	1,608	1,598
Interest paid	(10,429)	(9,635)
Income taxes paid	(37,504)	(148)
<b>Net cash flows from (used in) operating activities</b>	<b>(220,666)</b>	<b>14,077</b>
<b>Cash flows from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(20,625)	(16,528)
Proceeds from disposal of property, plant and equipment	307	-
Increase in refundable deposits	(1,110)	(1,349)
Acquisition of intangible assets	(190)	(1,291)
Decrease in other non-current assets	7	7
<b>Net cash flows from (used in) investing activities</b>	<b>(21,611)</b>	<b>(19,161)</b>
<b>Cash flows from (used in) financing activities</b>		
Increase in short-term loans	-	171,766
Decrease in short-term loans	-	(251,000)
Repayments of long-term debt	-	(5,593)
Payments of lease liabilities	(9,465)	(8,057)
<b>Net cash flows from (used in) financing activities</b>	<b>(9,465)</b>	<b>(92,884)</b>
Effect of exchange rate changes on cash and cash equivalents	9,837	4,452
Net decrease in cash and cash equivalents	(241,905)	(93,516)
Cash and cash equivalents at beginning of period	838,416	900,149
<b>Cash and cash equivalents at end of period</b>	<b>\$ 596,511</b>	<b>806,633</b>

See accompanying notes to consolidated financial statements.



**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****For the three months ended March 31, 2024 and 2023****(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 May 7, 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, 2024:

- 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”

- (b) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (“IASB”), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> <li>• A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>• Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>• Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation. 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”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 21 “Lack of Exchangeability”

#### 4. Summary of material accounting policies

##### (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” (Regulations) and IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC. These consolidated financial statements do not include all of the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to “IFRSs endorsed by the FSC”) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

##### (b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Main businesses	Percentage of ownership			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Quaser Europe Technical Center AG (“Quaser Europe”)	Buys and sells machines	100%	100%	100%	1
The Company	Quaser America Machine Tools, Inc. (“Quaser America”)	Buys and sells machines	100%	100%	100%	1 and 2
The Company	Kunshan Quaser Machine Tools, Inc. (“Kunshan Quaser”)	Buys and sells machines	100%	100%	100%	1
The Company	Quaser Europe Technical Center Gmbh (“Quaser Europe Gmbh”)	Buys and sells machines	100%	100%	100%	1 and 3
The Company	Winbro Group UK Limited (“Winbro UK”)	Overseas reinvested holding company	100%	100%	100%	
Winbro UK	Winbro Group Technologies Limited (“Winbro Ltd”)	Aerospace machinery manufacturing and machining	100%	100%	100%	
Winbro UK	Winbro Group Technologies LLC (“Winbro LLC”)	Aerospace machinery manufacturing and machining	100%	100%	100%	

Note 1: This is a non-significant subsidiary for which the financial statements are not reviewed by independent auditors.

Note 2: The liquidation of the Group’s subsidiary, Quaser America, was resolved by the Board of Directors. As of March 31, 2024, the relevant procedures are still in process.

Note 3: On May 4, 2023, the Company’s Board of Directors resolved to increase its investment in the Group’s subsidiary, Quaser Europe GmbH, by \$120,607 thousand. The relevant registration has been completed.

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

- (ii) List of subsidiaries which are not included in the consolidated financial statements: None.
- (c) 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.
- (d) Employee benefits  
 The pension cost in the interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.
- (e) Income taxes  
 The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.  
 Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management’s best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period and allocated to current and deferred taxes based on its proportionate size.  
 Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 “Interim Financial Reporting” endorsed by the FSC requires management to make 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 preparation of the consolidated financial statements, estimates and underlying assumptions are consistent with the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**6. Explanation of significant accounts**

Except for the following disclosures, there are no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the consolidated financial statements for the year ended December 31, 2023. The related information is provided in note 6 to the consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Petty cash and cash on hand	\$ 1,099	1,078	1,401
Checking and demand deposits	595,412	764,874	683,432
Time deposits	-	72,464	121,800
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 596,511</b>	<b>838,416</b>	<b>806,633</b>

(b) Financial assets and liabilities at fair value through profit or loss (FVTPL)

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
<b>Financial assets mandatorily classified as at FVTPL:</b>			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>30</u>	<u>-</u>	<u>-</u>
<b>Held-for-trading financial liabilities</b>			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>32</u>	<u>-</u>	<u>16</u>

As of March 31, 2024 and 2023, outstanding forward exchange contracts were as follows:

<b>March 31, 2024</b>			
<u>Item</u>	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange sold	EUR 169 / NTD 5,826	EUR to NTD	24.04.25 ~ 24.05.06
Forward exchange sold	USD 180 / NTD 5,692	USD to NTD	24.05.15 ~ 24.05.24
Forward exchange sold	EUR 173 / NTD 5,953	EUR to NTD	24.05.27 ~ 24.06.05
<b>March 31, 2023</b>			
<u>Item</u>	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange sold	EUR 373 / NTD 12,360	EUR to NTD	23.04.17 ~ 23.04.26

The Group entered into derivative financial instruments to reduce its exposure to certain foreign exchange rate and interest rate risk arising from its operating activities.

(c) Notes receivable and trade receivable

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Notes receivable from operating activities	\$ 87,458	30,571	10,115
Trade receivable—measured as amortized cost	925,304	681,327	538,392
Less: Loss allowance	(26,421)	(21,105)	(14,860)
	<b>\$ 986,341</b>	<b>690,793</b>	<b>533,647</b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivable 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 was determined as follows:

<b>March 31, 2024</b>			
	<b>Carrying amount of notes and trade receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 826,094	- %	-
1 to 30 days past due	115,849	- %	-
31 to 60 days past due	10,272	4.66 %	479
61 to 90 days past due	1,601	9.99 %	160
91 to 180 days past due	23,024	15.20 %	3,500
181 to 360 days past due	26,299	48.13 %	12,659
More than 361 days past due	9,623	100.00 %	9,623
	<b>\$ 1,012,762</b>		<b>26,421</b>

<b>December 31, 2023</b>			
	<b>Carrying amount of notes and trade receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 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
	<b>\$ 711,898</b>		<b>21,105</b>

<b>March 31, 2023</b>			
	<b>Carrying amount of notes and trade receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 493,921	- %	-
1 to 30 days past due	6,580	- %	-
31 to 60 days past due	2,456	4.68 %	115
61 to 90 days past due	332	9.94 %	33
91 to 180 days past due	31,951	20.59 %	6,578
181 to 360 days past due	10,266	50.00 %	5,133
More than 361 days past due	3,001	100.00 %	3,001
	<b>\$ 548,507</b>		<b>14,860</b>

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

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

		<b>For the three months ended March 31</b>	
		<b>2024</b>	<b>2023</b>
Balance at beginning of period	\$	21,105	11,776
Impairment losses recognized		4,859	3,010
Amounts written off as uncollectible during the period		(74)	-
Effect of exchange rate changes		531	74
Balance at end of period	\$	<b>26,421</b>	<b>14,860</b>

The Group's notes and trade receivable were not pledged as collateral as of March 31, 2024, December 31, and March 31, 2023.

For further credit risk information, please refer to note 6(v).

(d) Inventories

		<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Raw materials	\$	647,007	566,667	637,578
Work in progress		379,011	323,324	469,476
Finished goods		126,970	156,594	163,486
Goods		-	12,166	-
	\$	<b>1,152,988</b>	<b>1,058,751</b>	<b>1,270,540</b>

For the three months ended March 31, 2024 and 2023, the loss for inventory obsolescence (reversal gain) from the decrease (increase) in inventories' net realizable value amounted to \$(2,812) thousand and \$715 thousand, respectively. As of March 31, 2024, December 31, and March 31, 2023, none of the Group's inventories were pledged as collateral.

(e) Investments accounted for using equity method

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Associates	\$ <b>34,647</b>	<b>34,542</b>

- (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.

- (ii) The unreviewed financial statements of investments accounted for using equity method

Investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Carrying amount of individually insignificant associates' equity	\$ <b>34,647</b>	<b>34,542</b>

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**For the three months  
ended March 31, 2024**

Attributable to the Group:

Profit (loss) from continuing operations	\$	(334)
Other comprehensive income (loss)		643
Comprehensive income (loss)	<b>\$</b>	<b>309</b>

(iii) The Group's investment accounted for using equity method was not pledged as collateral as of March 31, 2024, and December 31, 2023.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the three months ended March 31, 2024 and 2023 were as follows:

		Land	Buildings and structures	Machinery and equipment	Transportation equipment	Molding equipment	Other equipment	Construction in progress	Total
<b>Cost:</b>									
Balance at January 1, 2024	\$	123,978	251,588	1,035,726	3,232	52,421	252,496	2,891	1,722,332
Additions		-	1,188	17,475	-	83	1,326	553	20,625
Disposals		-	-	-	-	-	(998)	-	(998)
Reclassification		-	997	(9,220)	-	-	1,164	(1,082)	(8,141)
Effects of exchange rate changes		-	1,810	36,883	79	-	3,969	100	42,841
Balance at March 31, 2024	\$	<b>123,978</b>	<b>255,583</b>	<b>1,080,864</b>	<b>3,311</b>	<b>52,504</b>	<b>257,957</b>	<b>2,462</b>	<b>1,776,659</b>
Balance at January 1, 2023	\$	123,978	244,495	992,782	5,627	49,119	245,721	-	1,661,722
Additions		-	-	13,002	-	-	1,541	1,985	16,528
Disposals		-	-	-	-	-	(727)	-	(727)
Reclassification		-	-	648	-	-	(648)	-	-
Effects of exchange rate changes		-	257	993	(8)	-	774	-	2,016
Balance at March 31, 2023	\$	<b>123,978</b>	<b>244,752</b>	<b>1,007,425</b>	<b>5,619</b>	<b>49,119</b>	<b>246,661</b>	<b>1,985</b>	<b>1,679,539</b>
<b>Accumulated depreciation and impairments loss:</b>									
Balance at January 1, 2024	\$	-	232,341	773,915	2,587	47,906	237,684	-	1,294,433
Depreciation		-	2,112	19,321	42	457	1,754	-	23,686
Disposals		-	-	-	-	-	(998)	-	(998)
Reclassification		-	-	(833)	-	-	-	-	(833)
Effects of exchange rate changes		-	1,463	27,410	67	-	3,717	-	32,657
Balance at March 31, 2024	\$	-	<b>235,916</b>	<b>819,813</b>	<b>2,696</b>	<b>48,363</b>	<b>242,157</b>	-	<b>1,348,945</b>
Balance at January 1, 2023	\$	-	223,196	681,044	4,802	46,262	230,111	-	1,185,415
Depreciation		-	1,910	19,281	42	444	1,697	-	23,374
Disposals		-	-	-	-	-	(727)	-	(727)
Effects of exchange rate changes		-	253	1,690	(12)	-	445	-	2,376
Balance at March 31, 2023	\$	-	<b>225,359</b>	<b>702,015</b>	<b>4,832</b>	<b>46,706</b>	<b>231,526</b>	-	<b>1,210,438</b>
<b>Carrying amount:</b>									
Balance at January 1, 2024	\$	<b>123,978</b>	<b>19,247</b>	<b>261,811</b>	<b>645</b>	<b>4,515</b>	<b>14,812</b>	<b>2,891</b>	<b>427,899</b>
Balance at March 31, 2024	\$	<b>123,978</b>	<b>19,667</b>	<b>261,051</b>	<b>615</b>	<b>4,141</b>	<b>15,800</b>	<b>2,462</b>	<b>427,714</b>
Balance at January 1, 2023	\$	<b>123,978</b>	<b>21,299</b>	<b>311,738</b>	<b>825</b>	<b>2,857</b>	<b>15,610</b>	-	<b>476,307</b>
Balance at March 31, 2023	\$	<b>123,978</b>	<b>19,393</b>	<b>305,410</b>	<b>787</b>	<b>2,413</b>	<b>15,135</b>	<b>1,985</b>	<b>469,101</b>

As of March 31, 2024, December 31, and March 31, 2023, the property and plant of the Group had been pledged as collateral for bank borrowings are set out in note 8.

(g) Right-of-use assets

The cost and depreciation of the right-of-use assets of the Group for the three months ended March 31, 2024 and 2023 were as follows:

		Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
<b>Cost:</b>						
Balance at January 1, 2024	\$	212,032	3,325	16,667	9,451	241,475
Additions		-	-	5,576	-	5,576
Write-off		-	-	(1,055)	-	(1,055)
Effects of exchange rate changes		8,919	140	189	399	9,647
Balance at March 31, 2024	\$	<b>220,951</b>	<b>3,465</b>	<b>21,377</b>	<b>9,850</b>	<b>255,643</b>

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Balance at January 1, 2023	\$ 220,022	2,358	13,141	9,452	244,973
Additions	-	472	-	-	472
Write-off	(6,419)	(812)	(2,799)	-	(10,030)
Effects of exchange rate changes	(1,839)	(21)	(49)	(80)	(1,989)
Balance at March 31, 2023	<u>\$ 211,764</u>	<u>1,997</u>	<u>10,293</u>	<u>9,372</u>	<u>233,426</u>
<b>Accumulated depreciation:</b>					
Balance at January 1, 2024	\$ 100,831	990	7,656	5,950	115,427
Depreciation	6,954	181	1,359	530	9,024
Write-off	-	-	(1,055)	-	(1,055)
Effects of exchange rate changes	4,370	45	145	261	4,821
Balance at March 31, 2024	<u>\$ 112,155</u>	<u>1,216</u>	<u>8,105</u>	<u>6,741</u>	<u>128,217</u>
Balance at January 1, 2023	\$ 82,748	1,688	7,142	3,711	95,289
Depreciation	6,644	135	814	555	8,148
Write-off	(6,419)	(812)	(2,799)	-	(10,030)
Effects of exchange rate changes	(667)	(15)	(41)	(31)	(754)
Balance at March 31, 2023	<u>\$ 82,306</u>	<u>996</u>	<u>5,116</u>	<u>4,235</u>	<u>92,653</u>
<b>Carrying amount:</b>					
Balance at January 1, 2024	<u>\$ 111,201</u>	<u>2,335</u>	<u>9,011</u>	<u>3,501</u>	<u>126,048</u>
Balance at March 31, 2024	<u>\$ 108,796</u>	<u>2,249</u>	<u>13,272</u>	<u>3,109</u>	<u>127,426</u>
Balance at January 1, 2023	<u>\$ 137,274</u>	<u>670</u>	<u>5,999</u>	<u>5,741</u>	<u>149,684</u>
Balance at March 31, 2023	<u>\$ 129,458</u>	<u>1,001</u>	<u>5,177</u>	<u>5,137</u>	<u>140,773</u>

(h) Goodwill and intangible assets

The cost, amortization and impairment of the goodwill and intangible assets of the Group for the three months ended March 31, 2024 and 2023 were as follows:

	Goodwill	Customer relationship	Developed technology	Software	Technology licenses	Trademarks	Others	Total
<b>Cost:</b>								
Balance at January 1, 2024	\$ 498,206	168,878	79,833	46,267	2,946	231	1,132	797,493
Additions	-	-	-	-	190	-	-	190
Disposal	-	-	-	-	(181)	-	-	(181)
Effects of exchange rate changes	20,789	7,122	3,367	1,237	-	-	-	32,515
Balance at March 31, 2024	<u>\$ 518,995</u>	<u>176,000</u>	<u>83,200</u>	<u>47,504</u>	<u>2,955</u>	<u>231</u>	<u>1,132</u>	<u>830,017</u>
Balance at January 1, 2023	\$ 498,287	167,019	77,935	40,625	2,430	127	1,332	787,755
Additions	-	-	-	705	586	-	-	1,291
Effects of exchange rate changes	(4,174)	(1,414)	(660)	520	-	-	-	(5,728)
Balance at March 31, 2023	<u>\$ 494,113</u>	<u>165,605</u>	<u>77,275</u>	<u>41,850</u>	<u>3,016</u>	<u>127</u>	<u>1,332</u>	<u>783,318</u>
<b>Accumulated amortization and impairment losses</b>								
Balance at January 1, 2024	\$ 199,474	46,911	47,520	37,940	1,251	52	942	334,090
Amortization	-	2,882	2,920	1,213	121	6	78	7,220
Disposal	-	-	-	-	(181)	-	-	(181)
Effects of exchange rate changes	8,413	2,029	2,056	1,086	-	-	-	13,584
Balance at March 31, 2024	<u>\$ 207,887</u>	<u>51,822</u>	<u>52,496</u>	<u>40,239</u>	<u>1,191</u>	<u>58</u>	<u>1,020</u>	<u>354,713</u>
Balance at January 1, 2023	\$ 199,507	33,772	34,210	32,055	750	34	774	301,102
Amortization	-	2,787	2,823	1,260	152	4	102	7,128
Effects of exchange rate changes	(1,689)	(282)	(285)	456	-	-	-	(1,800)
Balance at March 31, 2023	<u>\$ 197,818</u>	<u>36,277</u>	<u>36,748</u>	<u>33,771</u>	<u>902</u>	<u>38</u>	<u>876</u>	<u>306,430</u>
<b>Carrying amount:</b>								
Balance at January 1, 2024	<u>\$ 298,732</u>	<u>121,967</u>	<u>32,313</u>	<u>8,327</u>	<u>1,695</u>	<u>179</u>	<u>190</u>	<u>463,403</u>
Balance at March 31, 2024	<u>\$ 311,108</u>	<u>124,178</u>	<u>30,704</u>	<u>7,265</u>	<u>1,764</u>	<u>173</u>	<u>112</u>	<u>475,304</u>
Balance at January 1, 2023	<u>\$ 298,780</u>	<u>133,247</u>	<u>43,725</u>	<u>8,570</u>	<u>1,680</u>	<u>93</u>	<u>558</u>	<u>486,653</u>
Balance at March 31, 2023	<u>\$ 296,295</u>	<u>129,328</u>	<u>40,527</u>	<u>8,079</u>	<u>2,114</u>	<u>89</u>	<u>456</u>	<u>476,888</u>

None of the intangible assets held by the Group were pledged collateral as of March 31, 2024, December 31, and March 31, 2023.

(i) Other current assets and other non-current assets

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



**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Other current assets:			
Prepayments	\$ 42,534	34,450	45,387
Others	1,433	21,860	7,982
	<b>\$ 43,967</b>	<b>56,310</b>	<b>53,369</b>
Other non-current assets:			
Refundable deposits	\$ 5,148	3,981	3,899
Others	19	26	51
	<b>\$ 5,167</b>	<b>4,007</b>	<b>3,950</b>

(j) Short-term borrowings

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Unsecured bank loans	\$ 552,000	552,000	859,766
Secured bank loans	-	-	223,400
	<b>\$ 552,000</b>	<b>552,000</b>	<b>1,083,166</b>
Unused short-term credit lines	\$ 507,000	507,000	800,000
Range of interest rates	<b>1.82%~2.135%</b>	<b>1.82%~2.125%</b>	<b>1.70%~2.332%</b>

(i) Issuing and repayment the borrowings

For the three months ended March 31, 2023, the increase in short-term borrowings amounted to \$171,766 thousand with an interest rate of 1.70%~2.09%, as well as maturities ranging from April to September 2023. For the three months ended March 31, 2023, the repayments amounted to \$251,000 thousand. There was no such transaction for the three months ended March 31, 2024.

(ii) Collateral for short-term borrowings

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

(k) Lease liabilities

The lease liabilities of the Group were summarized as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Current	\$ 37,845	35,948	32,077
Non-current	\$ 99,452	99,992	118,344

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31 2024</b>	<b>2023</b>
Interest expense on lease liabilities	\$ 1,038	1,177
Expenses relating to short-term leases	\$ 1,327	1,490

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

	<b>For the three months ended March 31 2024</b>	<b>2023</b>
Total cash outflow for leases	\$ 11,830	10,724

(i) Building 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.

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(ii) Other leases

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

(l) Other payables

The other payables of the Group were summarized as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Salary and bonus payable	\$ 46,046	66,844	23,364
Pensions payable	1,933	1,925	1,784
Employee and director compensation payable	9,679	4,763	-
Commission payable	36,117	70,030	46,319
Others	106,655	139,311	130,697
	<b>\$ 200,430</b>	<b>282,873</b>	<b>202,164</b>

(m) Long-term borrowings

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Unsecured bank loans	\$ 435,000	435,000	67,658
Secured bank loans	518,294	518,294	364,862
	953,294	953,294	432,520
Less: current portion	(4,913)	(2,806)	(135,327)
	<b>948,381</b>	<b>950,488</b>	<b>297,193</b>
Unused long-term credit lines	<b>961,706</b>	<b>871,706</b>	<b>243,409</b>
Range of interest rates	<b>1.897%~2.22%</b>	<b>1.896%~2.204%</b>	<b>2.4%~3.016%</b>

(i) Issuance and repayment of the borrowings

For the three months ended March 31, 2024 and 2023, the repayment amounted to \$0 thousand and \$5,593 thousand, respectively. There were no additional proceeds from long-term borrowings for the three months ended March 31, 2024 and 2023.

(ii) 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:

<b>Financial year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
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:

<b>Financial year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Interest coverage ratio	350%	500%	500%	500%	500%

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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

(In Thousands of New Taiwan Dollars)

<u>Financial year</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
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 March 31, 2024, December 31, and March 31, 2023, the Group was in compliance with the above borrowing covenants.

(iii) Collateral for long-term borrowings

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

(n) Provisions

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current–Warranties	\$ 21,140	21,101	15,246
Non-current–Employee benefits	4,748	4,668	4,216
	<u>\$ 25,888</u>	<u>25,769</u>	<u>19,462</u>

There were no significant changes in provisions for the three months ended March 31, 2024 and 2023. Please refer to note 6(n) to the consolidated financial statements for the year ended December 31, 2023 for other related information.

(o) Employee benefits

(i) Defined benefit plans

Since there were no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2023 and 2022.

The pension costs recognized in profit or loss for the Group were as follows:

	<u>For the three months ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Operating cost	\$ (40)	(47)
Selling expenses	(17)	(13)
Administration expenses	(14)	(12)
	<u>\$ (71)</u>	<u>(72)</u>

(ii) Defined contribution plans

The pension costs of the Group under the defined contribution pension plans were as follows and contributed to the Bureau of Labor Insurance.

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Operating cost	\$ 4,432	4,921
Selling expenses	672	434
Administration expenses	2,048	2,171
Research and development expenses	206	213
	<b>\$ 7,358</b>	<b>7,739</b>

(p) Income tax

(i) The income tax of the Group was as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Current tax expenses		
Current period	\$ 17,520	17,742
Adjustment for prior periods	-	17,513
	<b>17,520</b>	<b>35,255</b>
Deferred tax expenses		
Origination and reversal of temporary differences	7,998	(2,752)
Income tax expense	<b>\$ 25,518</b>	<b>32,503</b>

(ii) The amounts of income tax recognized in other comprehensive income were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<b>\$ (11,647)</b>	<b>(420)</b>

The Company's income tax returns for the year 2022 has been examined and approved by the tax authorities. However, the Company's income tax returns of the year 2020 is still on assessment.

(q) Capital and other equity

Except for the following disclosure, there was no significant change in capital and capital surplus for the periods from January 1 to March 31, 2024 and 2023. For the related information, please refer to note 6(q) to the consolidated financial statements for the year ended December 31, 2023.

(i) 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

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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 based on the resolution made during the shareholders' meeting on June 15, 2023.

On March 12, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. These earnings were appropriated as follows:

	<b>2023</b>	
	<b>Amount per share (NT dollars)</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders:		
Cash	<b>\$ 0.534</b>	<b>29,343</b>

(ii) Other comprehensive income accumulated in reserves, net of tax

	<b>Exchange differences on translation of foreign financial statements</b>	
Balance at January 1, 2024	\$	15,086
Exchange differences on foreign operations		58,234
Income tax		(11,647)
Balance at March 31, 2024	<b>\$</b>	<b>61,673</b>
Balance at January 1, 2023	\$	(10,159)
Exchange differences on foreign operations		2,099
Income tax		(420)
Balance at March 31, 2023	<b>\$</b>	<b>(8,480)</b>

(r) Earnings per share

The calculations of the Group's basic earnings per share and diluted earnings per share were as follows:

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(i) Basic earnings per share

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Net profit attributable to ordinary shareholders of the Company (basic)	\$ <b>47,880</b>	<b>21,118</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)	<b>54,950</b>	<b>54,950</b>
Basic earnings per share (expressed in NT dollars)	\$ <b>0.87</b>	<b>0.38</b>

(ii) Diluted earnings per share

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ <b>47,880</b>	<b>21,118</b>
Weighted average number of ordinary shares outstanding (basic) (in thousands of shares)	54,950	54,950
Effect of dilutive potential ordinary shares		
Effect on employees' compensation	129	-
Weighted average number of ordinary shares outstanding (diluted) (in thousands of shares)	<b>55,079</b>	<b>54,950</b>
Diluted earnings per share (expressed in NT dollars)	\$ <b>0.87</b>	<b>0.38</b>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
<u>Primary geographical markets</u>		
Europe	\$ 251,428	310,657
Asia	250,276	79,364
Americas	189,794	170,636
Others	170	477
	<b>\$ 691,668</b>	<b>561,134</b>
<u>Major products/services</u>		
Sales of goods	\$ 541,495	472,481
Rendering of services	150,173	88,653
	<b>\$ 691,668</b>	<b>561,134</b>

(ii) Contract balances

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Contract liabilities	\$ <b>235,409</b>	<b>178,607</b>	<b>385,006</b>

For details on trade and notes receivables and allowance for impairment, please refer to note 6(c).

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.

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

For the three months ended March 31, 2024, the Company estimated its employee compensation and directors' remuneration amounting to \$3,575 thousand and \$1,341 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 the period.

There was profit before tax for the three months ended March 31, 2023, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or loss in the following year.

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 amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 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.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Interest income from bank deposits	\$ <b>1,608</b>	<b>1,598</b>

(ii) Other income

The details of other income were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Rent income	\$ 37	33
Government grants	69	428
Others	126	311
	<b>\$ 232</b>	<b>772</b>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Foreign exchange gains	\$ 20,888	1,089
Losses on financial assets and liabilities at fair value through profit or loss	(2)	(16)
Gains on disposals of property, plant and equipment	307	-
Others	(89)	(5)
	<b>\$ 21,104</b>	<b>1,068</b>

(iv) Finance costs

The details of finance costs were as follows:

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Interest expenses-bank loans	\$ 7,460	8,467
Interest expenses-lease liabilities	1,038	1,177
	<b>\$ 8,498</b>	<b>9,644</b>

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(v) to the consolidated financial statements for the year ended December 31, 2023.

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of March 31, 2024, December 31, and March 31, 2023, the Group's major customers consisted of five customers which accounted for 45%, 51% and 66%, respectively, of trade receivable. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of notes and trade receivable, please refer to note 6(c). 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 three months ended March 31, 2024 and 2023.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>Over 1 year</b>
<b><u>March 31, 2024</u></b>				
Non derivative financial liabilities				
Short-term borrowings	\$ 552,000	553,458	553,458	-
Trade and other payables	471,703	471,703	471,703	-
Long-term borrowings (current portion included)	953,294	1,016,234	5,663	1,010,571
Lease liabilities (current and non-current)	137,297	137,596	38,035	99,561
	<b>\$ 2,114,294</b>	<b>2,178,991</b>	<b>1,068,859</b>	<b>1,110,132</b>
<b><u>December 31, 2023</u></b>				
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 portion included)	953,294	1,020,344	3,532	1,016,812
Lease liabilities (current and non-current)	135,940	136,152	36,085	100,067
	<b>\$ 2,110,178</b>	<b>2,179,012</b>	<b>1,062,133</b>	<b>1,116,879</b>
<b><u>March 31, 2023</u></b>				
Non derivative financial liabilities				
Short-term borrowings	\$ 1,083,166	1,089,465	1,089,465	-
Trade and other payables	425,324	425,324	425,324	-
Long-term borrowings (current portion included)	432,520	443,531	142,757	300,774
Lease liabilities (current and non-current)	150,421	150,504	32,131	118,373
	<b>\$ 2,091,431</b>	<b>2,108,824</b>	<b>1,689,677</b>	<b>419,147</b>



**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk were as follows:

	March 31, 2024				December 31, 2023			March 31, 2023		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets										
Monetary items										
EUR	\$	1,746	34.46	60,160	2,893	33.98	98,315	6,396	33.15	212,039
USD		15,778	32.00	504,904	12,590	30.705	386,579	13,262	30.45	403,826
CNY		280	4.408	1,235	9,727	4.327	42,091	297	4.431	1,316
Financial liabilities										
Monetary items										
EUR		305	34.46	10,516	39	33.98	1,318	76	33.15	2,506
USD		80	32.00	2,556	86	30.705	2,638	467	30.45	14,206

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, financial assets at fair value through profit or loss, 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 March 31, 2024 and 2023, would have increased (decreased) the net profit after tax by \$4,426 thousand and \$4,804 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

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 the three months ended March 31, 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$20,888 thousand and \$1,089 thousand, respectively.

2) 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 or decreased by 0.25%, the Group's net income would have increased or decreased by \$3,763 thousand and \$3,789 thousand for the three months ended March 31, 2024 and 2023, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(iv) 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

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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:

<b>March 31, 2024</b>					
	<b>Book Value</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at FVTPL</b>					
Derivative financial assets mandatorily measured at FVTPL	\$ <b>30</b>	-	30	-	30
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 596,511	-	-	-	-
Notes and trade receivable (including from related parties)	986,568	-	-	-	-
Other receivables (including from related parties)	23,545	-	-	-	-
Refundable deposits	5,148	-	-	-	-
Subtotal	\$ <b>1,611,772</b>	-	-	-	-
<b>Financial liabilities at FVTPL</b>					
Held-for-trading financial liabilities	\$ <b>32</b>	-	32	-	32
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 552,000	-	-	-	-
Accounts and notes payable and other payables	471,703	-	-	-	-
Long-term borrowings (current portion included)	953,294	-	-	-	-
Lease liabilities (current and non-current)	137,297	-	-	-	-
Subtotal	\$ <b>2,114,294</b>	-	-	-	-
<b>December 31, 2023</b>					
	<b>Book Value</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 838,416	-	-	-	-
Notes and trade receivable	690,793	-	-	-	-
Other receivables	16,930	-	-	-	-
Refundable deposits	3,981	-	-	-	-
Subtotal	\$ <b>1,550,120</b>	-	-	-	-
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 552,000	-	-	-	-
Accounts and notes payable and other payables	468,944	-	-	-	-

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

<b>December 31, 2023</b>					
	<b>Book Value</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Long-term borrowings (current portion included)	953,294	-	-	-	-
Lease liabilities (current and non-current)	135,940	-	-	-	-
Subtotal	<b>\$ 2,110,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>March 31, 2023</b>					
	<b>Book Value</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 806,633	-	-	-	-
Notes and trade receivable	533,647	-	-	-	-
Other receivables	20,217	-	-	-	-
Refundable deposits	3,899	-	-	-	-
Subtotal	<b>\$ 1,364,396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at FVTPL</b>					
Held-for-trading financial liabilities	<b>\$ 16</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>16</b>
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 1,083,166	-	-	-	-
Accounts and notes payable and other payables	425,324	-	-	-	-
Long-term borrowings (current portion included)	432,520	-	-	-	-
Lease liabilities (current and non-current)	150,421	-	-	-	-
Subtotal	<b>\$ 2,091,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 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) Valuation techniques for financial instruments measured at fair value  
Measurement of the fair value of derivative financial instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

4) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the three months ended March 31, 2024 and 2023.

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) to the consolidated financial statements for the year ended December 31, 2023.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2023. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. Please refer to note 6(x) to the consolidated financial statements for the year ended December 31, 2023 for further details.

(y) Investing and financing activities not affecting the current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the three months ended March 31, 2024 and 2023, were as follows:

- (i) Acquisition of right-of-use assets through lease, please refer to note 6(g) and (k).  
(ii) Reconciliation of liabilities arising from financing activities were as follows:

			<b>Non-cash changes</b>		
	<b>January 1, 2024</b>	<b>Cash flows</b>	<b>Increase (decrease) for the period</b>	<b>Foreign exchange movement</b>	<b>March 31, 2024</b>
Short-term borrowings	\$ 552,000	-	-	-	552,000
Lease liabilities (current and non-current)	135,940	(9,465)	5,576	5,246	137,297
Long-term borrowings (current portion included)	953,294	-	-	-	953,294
Total liabilities from financing activities	<u>\$ 1,641,234</u>	<u>(9,465)</u>	<u>5,576</u>	<u>5,246</u>	<u>1,642,591</u>

			<b>Non-cash changes</b>		
	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Increase (decrease) for the period</b>	<b>Foreign exchange movement</b>	<b>March 31, 2023</b>
Short-term borrowings	\$ 1,162,400	(79,234)	-	-	1,083,166
Lease liabilities (current and non-current)	159,324	(8,057)	472	(1,318)	150,421
Long-term borrowings (current portion included)	438,113	(5,593)	-	-	432,520
Total liabilities from financing activities	<u>\$ 1,759,837</u>	<u>(92,884)</u>	<u>472</u>	<u>(1,318)</u>	<u>1,666,107</u>

**7. Related-party transactions**

(a) Names and relationship with the Group

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Zhongshan Xuguang Machinery Technology Co., Ltd.	Associate

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Sales of goods to related parties

The amounts of significant sales and receivables by the Group to its related parties were as follows:

<u>Account</u>	<u>Type/Name of related party</u>	<u>For the three months ended March 31, 2024</u>
Sale of goods	Associate	\$ <u>224</u>

The sales price of the Group to its related parties is not materially different from those of non-related parties. The collection term for sales to associate is T/T 90 days. Trade receivable due from related parties was not pledged as collateral and there was no impairment provision recognized.

(ii) Receivables from related parties

The details of the Group's receivables from related parties were as follows:

<u>Account</u>	<u>Type/Name of related party</u>	<u>March 31, 2024</u>
Trade receivable	Associate	\$ 227
Other receivables	Associate	519
		\$ <u>746</u>

(iii) Property transaction

Disposal of property, plant and equipment

The details of disposal of property, plant and equipment by the Group to related parties were summarized as follows:

<u>Type/Name of related party</u>	<u>For the three months ended March 31, 2024</u>	
	<u>Disposal price</u>	<u>Disposal gain (loss)</u>
Associate	\$ <u>512</u>	<u>512</u>

The Group sold other equipment to associate in March 2024 for \$512 thousand. As of March 31, 2024, the unpaid balance was \$519 thousand. For further property, plant and equipment information, please refer to note 6(f).

(c) Key management personnel compensation

	<u>For the three months ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 7,488	2,836
Post-employment benefits	92	153
	\$ <u>7,580</u>	<u>2,989</u>

**8. Pledged Assets**

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Subject of pledge guarantee</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Land	Collateral for bank borrowings and credit lines	\$ 123,978	123,978	123,978
Buildings and structures	Collateral for bank borrowings and credit lines	3,054	3,971	6,721
		\$ <u>127,032</u>	<u>127,949</u>	<u>130,699</u>

**9. Significant commitments and contingencies**

The Group's unrecognized contractual commitments were as follows:

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of property, plant and equipment	\$ 532	-	1,493

**10. Losses due to major disasters: None.**

**11. Subsequent events:**

Based on strategic considerations for future market layout and industrial integration, the Group's subsidiary, Quaser Europe Technical Center GmbH, acquired 43% equity in MWA Magdeburger Werkzeugmaschinen & Automation GmbH on May 6, 2024, for EUR 430 thousand. The Group now has significant influence over MWA Magdeburger Werkzeugmaschinen & Automation GmbH.

**12. Other**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function  By item		For the three months ended March 31					
		2024			2023		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary	\$	78,909	56,279	135,188	80,298	39,694	119,992
Labor and health insurance		10,643	5,423	16,066	11,768	6,643	18,411
Pension		4,392	2,895	7,287	4,874	2,793	7,667
Others		530	1,741	2,271	526	1,411	1,937
Depreciation		24,136	8,574	32,710	23,512	8,010	31,522
Amortization		73	7,147	7,220	21	7,107	7,128

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

**13. Other disclosures**

(a) Information on significant transaction

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2024:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)																
No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties (Note 4)	Reasons for short-term financing	Losses attributable to owner	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 2)
													Item	Value		
0	The Company	Quaser Europe GmbH	Other receivables	Yes	34,772	11,900	11,900		1	86,319	-	-	-	-	151,477	605,907
0	The Company	Quaser America	Other receivables	Yes	5,895	5,895	5,895		1	-	-	-	-	-	151,477	605,907
0	The Company	Winbro LLC	Other receivables	Yes	48,620	48,620	48,620		1	116,909	-	-	-	-	151,477	605,907
0	The Company	Winbro Ltd	Other receivables	Yes	34,324	34,324	34,324		1	56,823	-	-	-	-	151,477	605,907

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties (Note 4)	Reasons for short-term financing	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 2)
												Item	Value		
1	Quaser Europe	Quaser Europe GmbH	Other receivables	Yes	43,686	43,686	43,686		1	-	-	-	-	179,028	179,028
2	Winbro Ltd	Winbro LLC	Other receivables	Yes	78,442	57,674	57,674		1	112,572	-	-	-	2,381,708	2,381,708
2	Winbro Ltd	The Company	Other receivables	Yes	45,166	45,166	45,166		1	25,298	-	-	-	2,381,708	2,381,708
3	Winbro LLC	Winbro Ltd	Other receivables	Yes	12,512	12,512	12,512		1	4,271	-	-	-	1,265,936	1,265,936
3	Winbro LLC	The Company	Other receivables	Yes	171	171	171		1	-	-	-	-	1,265,936	1,265,936
4	Quaser America	Winbro LLC	Other receivables	Yes	96,783	96,783	96,783		1	-	-	-	-	428,900	428,900

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 LLC's and Quaser America's latest net asset value (the Company's net asset value as of March 31, 2024 was \$1,514,767 thousand  $\times$  10% = \$151,477 thousand; Quaser Europe's net asset value as of March 31, 2024 was \$44,757 thousand  $\times$  400% = \$179,028 thousand; Winbro Ltd's net asset value as of March 31, 2024 was \$595,427 thousand  $\times$  400% = \$2,381,708 thousand; Winbro LLC's net asset value as of March 31, 2024 was \$316,484 thousand  $\times$  400% = \$1,265,936 thousand; Quaser America's net asset value as of March 31, 2024 was \$107,225 thousand  $\times$  400% = \$428,900 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 LLC's and Quaser America's latest net asset value (the Company's net asset value as of March 31, 2024 was \$1,514,767 thousand  $\times$  40% = \$605,907 thousand; Quaser Europe's net asset value as of March 31, 2024 was \$44,757 thousand  $\times$  400% = \$179,028 thousand; Winbro Ltd's net asset value as of March 31, 2024 was \$595,427 thousand  $\times$  400% = \$2,381,708 thousand; Winbro LLC's net asset value as of March 31, 2024 was \$316,484 thousand  $\times$  400% = \$1,265,936 thousand; Quaser America's net asset value as of March 31, 2024 was \$107,225 thousand  $\times$  400% = \$428,900 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: None.
- (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: None.

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

(In Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivable from related party	Turnover rate (Note)	Overdue		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Winbro Ltd	Winbro LLC	Sub-subsidiary companies	154,660	2.94	57,674	Accounting for other receivables.	-	-

Note: The calculation of turnover rate does not include other receivables.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Kunshan Quaser	1	Sales	86,116	T/T 180 days	12 %
0	The Company	Kunshan Quaser	1	Trade receivable	88,164	T/T 180 days	2 %
0	The Company	Kunshan Quaser	1	Other receivables	26,743	T/T 180 days	1 %
0	The Company	Quaser Europe Gmbh	1	Sales	6,515	T/T 180 days	1 %
0	The Company	Quaser Europe Gmbh	1	Trade receivable	8,959	T/T 180 days	- %
0	The Company	Quaser Europe Gmbh	1	Other receivables	20,694	T/T 180 days	1 %
0	The Company	Winbro Ltd	2	Sales	20,738	T/T 120 days	3 %
0	The Company	Winbro Ltd	2	Trade receivable	21,594	T/T 120 days	1 %
0	The Company	Winbro Ltd	2	Accounts payable	54,133	T/T 30 days	1 %
0	The Company	Winbro Ltd	2	Other receivables	40,767	T/T 120 days	1 %
0	The Company	Winbro LLC	2	Trade receivable	20,524	T/T 120 days	1 %
0	The Company	Winbro LLC	2	Other receivables	49,591	T/T 120 days	1 %
1	Quaser America	Winbro LLC	4	Trade receivable	97,395	T/T 120 days	2 %
2	Quaser Europe Gmbh	Quaser Europe	3	Accounts payable	44,011	T/T 180 days	1 %
3	Winbro Ltd	Winbro LLC	5	Sales	54,365	T/T 90 days	8 %
3	Winbro Ltd	Winbro LLC	5	Trade receivable	96,986	T/T 90 days	2 %
3	Winbro Ltd	Winbro LLC	5	Other receivables	57,674	T/T 90 days	1 %

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.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2024 (excluding information on investees in mainland China):



**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(In Thousands of New Taiwan Dollars/ In Thousands of GBP and USD) (Unit: Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Amount held at the end of the period			Net income (loss) of the investee	Investment income (loss) recognized by the Company (Note 1)	Note
				End of the period	End of the previous year	Shares	Percentage of ownership	Carrying value			
The Company	Quaser Europe	Switzerland	Buys and sells machines	3,076	3,076	1,000	100%	44,757	(404)	(404)	Subsidiary
The Company	Quaser America	America	Buys and sells machines	189,455	189,455	6,000,000	100%	107,225	4,292	4,292	Subsidiary (Note 3)
The Company	Winbro UK	United Kingdom	Overseas reinvested holding company	1,845,204	1,845,204	27,054,625	100%	1,417,279	22,780	12,368	Subsidiary
The Company	Quaser Europe GmbH	Germany	Buys and sells machines	121,448	121,448	25,000	100%	84,607	(5,193)	(5,193)	Subsidiary
Winbro UK	Winbro Ltd	United Kingdom	Aerospace machinery manufacturing and machining	GBP 90	GBP 90	9,029,804	100%	GBP 14,742	GBP (1,480)	(Note 2)	Sub-subsidiary
Winbro UK	Winbro LLC	America	Aerospace machinery manufacturing and machining	USD 33,576	USD 33,576	-	100%	USD 9,890	USD 1,717	(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 March 31, 2024, 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)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of beginning of this period	Investment		Accumulated outflow of investment from Taiwan as of end of this period	Net income (losses) of the investee	Percentage of ownership	Investment income (loss) recognized	Book value as of March 31, 2024	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Kunshan Quaser (Note)	Buys and sells machines	49,238 (USD 1,500)	The investment was made direct investments in companies in mainland China	38,500 (USD 1,280)	-	-	38,500 (USD 1,280)	7,086	100%	7,086	(12,995)	-
Zhongshan Xuguang	Manufacturing and selling machines	86,220 (CNY 20,000)	The investment was made direct investments in companies in mainland China	34,889 (CNY 8,000)	-	-	34,889 (CNY 8,000)	(836)	40%	(334)	34,647	-

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 March 31, 2024	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment
NTD\$ 73,389 (USD\$ 1,280) (CNY\$ 8,000)	NTD\$ 73,389 (USD\$ 1,280) (CNY\$ 8,000)	908,860

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(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

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Yeh Chiang Technology Co., Ltd.		12,433,500	22.62 %
Shieh, Raui-Mu		5,459,810	9.93 %
Xude Investment Co., Ltd.		5,107,118	9.29 %

**14. Segment information**

The Group's operating segment information and reconciliation were as follows:

<b>For the three months ended March 31, 2024</b>			
	<b>Computer numerical control machines</b>	<b>Aerospace processing machines</b>	<b>Total</b>
Total revenue	\$ <b>342,365</b>	<b>349,303</b>	<b>691,668</b>
Reportable segment profit	\$ <b>5,734</b>	<b>53,552</b>	<b>59,286</b>
<b>For the three months ended March 31, 2023</b>			
	<b>Computer numerical control machines</b>	<b>Aerospace processing machines</b>	<b>Total</b>
Total revenue	\$ <b>240,359</b>	<b>320,775</b>	<b>561,134</b>
Reportable segment profit (loss)	\$ <b>(1,211)</b>	<b>61,038</b>	<b>59,827</b>

Segment revenue reported above represents revenue generated from external customers. The intersegment sales had been eliminated for the three months ended March 31, 2024 and 2023.

Segment profit represented the profit before tax earned by each segment without other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.