

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report****For the Six Months Ended June 30, 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	9~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	11~29
(7) Related-party transactions	30~31
(8) Pledged assets	31
(9) Significant commitments and contingencies	32
(10) Losses due to major disasters	32
(11) Subsequent events	32
(12) Other	32
(13) Other disclosures	
(a) Information on significant transactions	33~36
(b) Information on investees	36~37
(c) Information on investment in mainland China	37~38
(d) Major shareholders	38
(14) Segment information	39

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 June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 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\$274,697 thousand and NT\$238,600 thousand, constituting 6.67% and 6.08% of the consolidated total assets as of June 30, 2024 and 2023, respectively, and total liabilities amounting to NT\$34,269 thousand and NT\$47,509 thousand, constituting 1.34% and 1.88% of the consolidated total liabilities as of June 30, 2024 and 2023, respectively, and total comprehensive income (loss) amounting to NT\$10,981 thousand, NT\$(3,442) thousand, NT\$16,762 thousand, and NT\$(3,599) thousand, constituting 13.74%, (4.13)%, 9.61% and (3.39)% of the consolidated total comprehensive income (loss) for the three months and the six months ended June 30, 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\$34,424 thousand and NT\$34,256 thousand as of June 30, 2024 and 2023, and its equity in net earnings (loss) on this investee company of NT\$519 thousand, NT\$0 thousand, NT\$853 thousand, and NT\$0 thousand for the three months and the six months ended June 30, 2024 and 2023, 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 June 30, 2024 and 2023, and of its consolidated financial performance for the three months and six months ended June 30, 2024 and 2023, as well as its consolidated cash flows for the six months ended June 30, 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)
August 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
June 30, 2024, December 31 and June 30, 2023
(Expressed in thousands of New Taiwan Dollar)

Assets	June 30, 2024		December 31, 2023		June 30, 2023		Liabilities and Equity	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
Cash and cash equivalents (Note 6(a))	\$ 731,659	18	838,416	22	773,497	20	Short-term borrowings (Note 6(j) and 8)	\$ 502,000	12	552,000	14	1,161,762	30
Notes receivable, net (Note 6(c))	31,875	1	30,571	1	10,768	-	Current financial liabilities at fair value through profit or loss (Note 6(b))	114	-	-	-	107	-
Trade receivable, net (Note 6(c))	765,095	18	660,222	17	523,492	13	Current contract liabilities (Note 6(s))	212,604	5	178,607	5	291,875	7
Trade receivable due from related parties (Note 7)	46,063	1	-	-	-	-	Notes payable	77	-	171	-	80	-
Other receivables	23,507	1	16,930	-	29,859	1	Accounts payable	346,306	8	185,900	5	214,416	6
Other receivables due from related parties (Note 7)	87,683	2	-	-	-	-	Accounts payable due from related parties (Note 7)	11	-	-	-	-	-
Current tax assets	14,090	-	13,509	-	15,074	-	Other payables (Note 6(l))	208,570	5	282,873	7	246,361	6
Inventories (Note 6(d))	1,190,403	29	1,058,751	28	1,249,862	32	Current tax liabilities	23,854	1	60,747	2	33,727	1
Other current assets (Note 6(i))	70,009	2	56,310	2	91,788	3	Current provisions (Note 6(n))	20,644	1	21,101	1	16,684	-
	2,960,384	72	2,674,709	70	2,694,340	69	Current lease liabilities (Note 6(k))	38,866	1	35,948	1	33,218	1
							Long-term borrowing, current portion (Note 6(m) and 8)	7,038	-	2,806	-	135,461	4
							Other current liabilities	883	-	831	-	800	-
Non-current assets:								1,360,967	33	1,320,984	35	2,134,491	55
Investments accounted for using equity method (Note 6(e))	43,709	1	34,542	1	34,256	1	Non-current liabilities:						
Property, plant and equipment (Note 6(f) and 8)	419,139	10	427,899	11	471,655	12	Long-term borrowings (Note 6(m) and 8)	1,036,256	25	950,488	25	235,112	6
Right-of-use assets (Note 6(g))	125,192	3	126,048	3	138,837	3	Non-current provisions (Note 6(n))	4,826	-	4,668	-	4,326	-
Intangible assets (Note 6(h))	160,701	4	164,671	4	179,461	5	Deferred tax liabilities	56,117	2	34,829	1	43,705	1
Goodwill (Note 6(h))	315,408	7	298,732	8	302,889	8	Non-current lease liabilities (Note 6(k))	95,704	2	99,992	2	115,594	3
Deferred tax assets	67,658	2	79,192	2	77,688	2		1,192,903	29	1,089,977	28	398,737	10
Net defined benefit assets	22,075	1	21,461	1	19,182	-	Total liabilities	2,553,870	62	2,410,961	63	2,533,228	65
Other non-current assets (Note 6(i))	4,939	-	4,007	-	3,971	-							
	1,158,821	28	1,156,552	30	1,227,939	31	Equity attributable to owners of parent: (Note 6(q))						
							Common stock	549,500	13	549,500	14	549,500	14
							Capital surplus	820,363	20	820,363	22	820,363	21
							Unappropriated retained earnings (Accumulated deficit)	113,420	3	35,351	1	(9,317)	-
							Other equity	82,052	2	15,086	-	28,505	-
							Total equity	1,565,335	38	1,420,300	37	1,389,051	35
Total assets	\$ 4,119,205	100	3,831,261	100	3,922,279	100	Total liabilities and equity	\$ 4,119,205	100	3,831,261	100	3,922,279	100

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 and six months ended June 30, 2024 and 2023
(Expressed in thousands of New Taiwan Dollar, except for earnings per share)

	For the three months ended June 30				For the six months ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Note 6(s) and 7)	\$ 816,059	100	659,883	100	1,507,727	100	1,221,017	100
Operating costs (Note 6(d), (o) and 12)	575,337	71	468,446	71	1,051,299	70	858,576	70
Gross profit	240,722	29	191,437	29	456,428	30	362,441	30
Unrealized profit from sales	(870)	-	-	-	(870)	-	-	-
Gross profit, net	239,852	29	191,437	29	455,558	30	362,441	30
Operating expenses (Note 6(o), (t) and 12)								
Selling expenses	37,295	5	32,439	5	69,389	5	60,190	5
Administrative expenses	82,249	10	71,917	11	171,150	11	138,648	11
Research and development expenses	35,606	4	15,063	2	66,172	4	28,748	3
Expected credit loss (reversal) (Note 6(c))	(14,549)	(2)	6,854	1	(9,690)	(1)	9,864	1
	140,601	17	126,273	19	297,021	19	237,450	20
	99,251	12	65,164	10	158,537	11	124,991	10
Operating income								
Non-operating income and expenses (Note 6(u))								
Interest income	2,548	-	3,093	-	4,156	-	4,691	-
Other income	554	-	75	-	786	-	847	-
Other gains and losses	2,342	-	6,178	1	23,446	1	7,246	1
Finance costs (Note 6(k))	(8,932)	(1)	(9,546)	(1)	(17,430)	(1)	(19,190)	(1)
Share of loss of associates accounted for using equity method (Note 6(e))	(5,261)	-	-	-	(5,595)	-	-	-
	(8,749)	(1)	(200)	-	5,363	-	(6,406)	-
	90,502	11	64,964	10	163,900	11	118,585	10
	30,970	4	18,547	3	56,488	4	51,050	4
	59,532	7	46,417	7	107,412	7	67,535	6
Profit before income tax								
Less: Income tax expenses (Note 6(p))								
Profit for the period								
Other comprehensive income:								
Components of other comprehensive income that will be reclassified to profit or loss:								
Exchange differences on translation of foreign financial statements	25,474	3	46,231	7	83,708	5	48,330	4
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(p))	(5,095)	-	(9,246)	(1)	(16,742)	(1)	(9,666)	(1)
Other comprehensive income for the period, net of tax	20,379	3	36,985	6	66,966	4	38,664	3
Total comprehensive income	\$ 79,911	10	83,402	13	174,378	11	106,199	9
Earnings per share (NT Dollars) (Note 6(r))								
Basic earnings per share	\$ 1.08		0.84		1.95		1.23	
Diluted earnings per share	\$ 1.08		0.84		1.95		1.23	

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 six months ended June 30, 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	
Balance at January 1, 2023	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Profit for the period	-	-	-	-	67,535	67,535	-	67,535
Other comprehensive income for the period	-	-	-	-	-	-	38,664	38,664
Total comprehensive income for the period	-	-	-	-	67,535	67,535	38,664	106,199
Appropriation and distribution of retained earnings:								
Capital surplus used to offset accumulated deficits	-	(59,746)	-	-	59,746	59,746	-	-
Balance at June 30, 2023	\$ 549,500	820,363	-	2,724	(12,041)	(9,317)	28,505	1,389,051
Balance at January 1, 2024	\$ 549,500	820,363	-	2,724	32,627	35,351	15,086	1,420,300
Profit for the period	-	-	-	-	107,412	107,412	-	107,412
Other comprehensive income for the period	-	-	-	-	-	-	66,966	66,966
Total comprehensive income for the period	-	-	-	-	107,412	107,412	66,966	174,378
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	3,263	-	(3,263)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(29,343)	(29,343)	-	(29,343)
Balance at June 30, 2024	\$ 549,500	820,363	3,263	2,724	107,433	113,420	82,052	1,565,335

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 six months ended June 30, 2024 and 2023****(Expressed in thousands of New Taiwan Dollar)**

	For the six months ended June 30	
	2024	2023
Cash flows from (used in) operating activities		
Profit before tax	\$ 163,900	118,585
Adjustments		
Adjustments to reconcile profit		
Depreciation expense	66,721	66,160
Amortization expense	14,419	14,198
Expected credit loss (reversal)	(9,690)	9,864
Net loss on financial assets or liabilities at fair value through profit or loss	114	107
Interest expense	17,430	19,190
Interest income	(4,156)	(4,691)
Share of loss of associates accounted for using equity method	5,595	-
Loss (gain) on disposal of property, plant and equipment	(263)	281
Unrealized profit from sales	870	-
Unrealized foreign exchange loss (gain)	(16,240)	4,142
Total adjustments to reconcile profit (loss)	74,800	109,251
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	(1,279)	12,501
Decrease (increase) in trade receivable (including from related parties)	(91,059)	(49,833)
Decrease (increase) in other receivables (including from related parties)	(90,542)	(3,322)
Decrease (increase) in inventories	(95,663)	(100,236)
Decrease (increase) in other current assets	(12,214)	(16,541)
Decrease (increase) in net defined benefit assets	(614)	(525)
Total changes in operating assets	(291,371)	(157,956)
Changes in operating liabilities		
Increase (decrease) in contract liabilities	29,097	(53,865)
Increase (decrease) in notes payable	(105)	(82)
Increase (decrease) in accounts payable (including from related parties)	136,638	17,350
Increase (decrease) in other payables	(112,601)	(29,084)
Increase (decrease) in provisions	(1,007)	2,944
Increase (decrease) in other current liabilities	52	(164)
Total changes in operating liabilities	52,074	(62,901)

(Continued)

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

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2024 and 2023****(Expressed in thousands of New Taiwan Dollar)**

	For the six months ended June 30	
	2024	2023
Total changes in operating assets and liabilities	(239,297)	(220,857)
Total adjustments	(164,497)	(111,606)
Cash inflow (outflow) generated from operations	(597)	6,979
Interest received	4,156	4,691
Interest paid	(19,237)	(19,241)
Income taxes paid	(80,621)	(336)
Net cash flows from (used in) operating activities	(96,299)	(7,907)
Cash flows from (used in) investing activities		
Acquisition of investments accounted for using equity method	(14,838)	-
Acquisition of property, plant and equipment	(33,457)	(23,950)
Proceeds from disposal of property, plant and equipment	756	-
Increase in refundable deposits	(870)	-
Acquisition of intangible assets	(2,000)	(3,227)
Decrease (increase) in other non-current assets	16	(1,363)
Net cash flows from (used in) investing activities	(50,393)	(28,540)
Cash flows from (used in) financing activities		
Increase in short-term loans	-	264,766
Decrease in short-term loans	(50,000)	(265,404)
Proceeds from long-term debt	90,000	-
Repayments of long-term debt	-	(67,540)
Payments of lease liabilities	(19,785)	(16,358)
Net cash flows from (used in) financing activities	20,215	(84,536)
Effect of exchange rate changes on cash and cash equivalents	19,720	(5,669)
Net decrease in cash and cash equivalents	(106,757)	(126,652)
Cash and cash equivalents at beginning of period	838,416	900,149
Cash and cash equivalents at end of period	\$ 731,659	773,497

See accompanying notes to consolidated financial statements.

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

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the six months ended June 30, 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 August 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 endorsed by the FSC but not yet effective

The Group assesses that the adoption of the (following) new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 21 “Lack of Exchangeability”

- (c) 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:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	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.	January 1, 2027

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<ul style="list-style-type: none"> • 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. • 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. • 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. 	January 1, 2027

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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11

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.

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to 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
			June 30, 2024	December 31, 2023	June 30, 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, 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, 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 in 2022. Based on the Group's operation plan, the Company's Board of Directors resolved to cancel the resolution on August 7, 2024.

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.

(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.

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

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

	June 30, 2024	December 31, 2023	June 30, 2023
Petty cash and cash on hand	\$ 1,126	1,078	1,314
Checking and demand deposits	730,533	764,874	697,125
Time deposits	-	72,464	75,058
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 731,659</u>	<u>838,416</u>	<u>773,497</u>

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

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

	June 30, 2024	December 31, 2023	June 30, 2023
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 114	-	107

As of June 30, 2024 and 2023, outstanding forward exchange contracts were as follows:

June 30, 2024			
Item	Contract amount (in thousands)	Currency	Maturity dates
Forward exchange sold	USD 143 / NTD 4,615	USD to NTD	24.07.08~24.07.17
Forward exchange sold	USD 588 / NTD 18,934	USD to NTD	24.07.31
June 30, 2023			
Item	Contract amount (in thousands)	Currency	Maturity dates
Forward exchange sold	USD 240 / NTD 7,370	USD to NTD	23.08.07~23.08.16
Forward exchange sold	USD 152 / NTD 4,664	USD to NTD	23.08.14~23.08.23

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

(c) Notes receivable and trade receivable

	June 30, 2024	December 31, 2023	June 30, 2023
Notes receivable from operating activities	\$ 31,875	30,571	10,768
Trade receivable—measured as amortized cost	777,091	681,327	545,756
Less: Loss allowance	(11,996)	(21,105)	(22,264)
	\$ 796,970	690,793	534,260

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade 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:

June 30, 2024			
	Carrying amount of notes and trade receivable	Weighted average expected credit loss rate	Loss allowance
Not past due	\$ 694,599	- %	-
1 to 30 days past due	67,007	- %	-
31 to 60 days past due	4,797	4.11 %	197
61 to 90 days past due	10,715	10.00 %	1,071
91 to 180 days past due	13,190	20.00 %	2,638
181 to 360 days past due	17,345	39.07 %	6,777
More than 361 days past due	1,313	100.00 %	1,313
	\$ 808,966		11,996

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

December 31, 2023			
	Carrying amount of notes and trade receivable	Weighted average expected credit loss rate	Loss allowance
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
	\$ 711,898		21,105

June 30, 2023			
	Carrying amount of notes and trade receivable	Weighted average expected credit loss rate	Loss allowance
Not past due	\$ 476,764	- %	-
1 to 30 days past due	17,531	- %	-
31 to 60 days past due	12,476	5.05 %	630
61 to 90 days past due	12,016	9.30 %	1,118
91 to 180 days past due	925	17.95 %	166
181 to 360 days past due	31,323	47.44 %	14,861
More than 361 days past due	5,489	100.00 %	5,489
	\$ 556,524		22,264

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

	For the six months ended June 30	
	2024	2023
Balance at beginning of period	\$ 21,105	11,776
Impairment losses recognized (reversal)	(9,690)	9,864
Amounts written off as uncollectible during the period	(74)	-
Effect of exchange rate changes	655	624
Balance at end of period	\$ 11,996	22,264

The Group's notes and trade receivable were not pledged as collateral as of June 30, 2024, December 31, 2023, and June 30, 2023. For further credit risk information, please refer to note 6(v).

(d) Inventories

	June 30, 2024	December 31, 2023	June 30, 2023
Raw materials	\$ 629,219	566,667	639,300
Work in progress	383,816	323,324	430,969
Finished goods	126,278	156,594	179,593
Goods	51,090	12,166	-
	\$ 1,190,403	1,058,751	1,249,862

During the three months and six months ended June 30, 2024 and 2023, the write-down of inventories amounted to \$4,405 thousand, \$4,963 thousand, \$1,593 thousand and \$5,678 thousand, respectively. The write-downs of inventories are included in cost of sales. As of June 30, 2024, December 31, 2023, and June 30, 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:

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

	June 30, 2024	December 31, 2023	June 30, 2023
Associates	\$ 43,709	34,542	34,256

- (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 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.
- (iii) 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.

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amount of individually insignificant associates' equity	\$ 43,709	34,542	34,256

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Attributable to the Group:				
Loss from continuing operations	\$ (5,261)	-	(5,595)	-
Other comprehensive income (loss)	352	(232)	995	(232)
Comprehensive income (loss) \$	(4,909)	(232)	(4,600)	(232)

- (iv) The Group's investment accounted for using equity method was not pledged as collateral as of June 30, 2024, December 31, 2023, and June 30, 2023.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2024 and 2023 were as follows:

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Molding equipment	Other equipment	Construction in progress	Total
Cost:								
Balance at January 1, 2024	\$ 123,978	251,588	1,035,726	3,232	52,421	252,496	2,891	1,722,332
Additions	-	6,668	2,846	-	1,604	1,894	20,445	33,457
Disposals	-	-	(827)	-	-	(2,576)	-	(3,403)
Reclassification	-	1,544	(9,236)	-	-	775	(1,631)	(8,548)
Effects of exchange rate changes	-	2,695	51,974	110	-	5,741	474	60,994
Balance at June 30, 2024	\$ 123,978	262,495	1,080,483	3,342	54,025	258,330	22,179	1,804,832

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

		Land	Buildings and structures	Machinery and equipment	Transportation equipment	Molding equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2023	\$	123,978	244,495	992,782	5,627	49,119	245,721	-	1,661,722
Additions		-	5,441	14,286	-	-	4,223	-	23,950
Disposals		-	-	-	(1,349)	-	(3,368)	-	(4,717)
Reclassification		-	217	8,330	(1,008)	-	361	-	7,900
Effects of exchange rate changes		-	1,958	36,237	(37)	-	4,422	-	42,580
Balance at June 30, 2023	\$	<u>123,978</u>	<u>252,111</u>	<u>1,051,635</u>	<u>3,233</u>	<u>49,119</u>	<u>251,359</u>	<u>-</u>	<u>1,731,435</u>
Accumulated depreciation and impairments loss:									
Balance at January 1, 2024	\$	-	232,341	773,915	2,587	47,906	237,684	-	1,294,433
Depreciation		-	4,304	39,118	84	977	3,530	-	48,013
Disposals		-	-	(334)	-	-	(2,576)	-	(2,910)
Reclassification		-	-	(841)	-	-	-	-	(841)
Effects of exchange rate changes		-	2,155	39,321	93	-	5,429	-	46,998
Balance at June 30, 2024	\$	<u>-</u>	<u>238,800</u>	<u>851,179</u>	<u>2,764</u>	<u>48,883</u>	<u>244,067</u>	<u>-</u>	<u>1,385,693</u>
Balance at January 1, 2023	\$	-	223,196	681,044	4,802	46,262	230,111	-	1,185,415
Depreciation		-	3,880	41,405	84	838	3,400	-	49,607
Disposals		-	-	-	(1,349)	-	(3,087)	-	(4,436)
Reclassification		-	-	-	(1,008)	-	1,008	-	-
Effects of exchange rate changes		-	1,413	23,918	(16)	-	3,879	-	29,194
Balance at June 30, 2023	\$	<u>-</u>	<u>228,489</u>	<u>746,367</u>	<u>2,513</u>	<u>47,100</u>	<u>235,311</u>	<u>-</u>	<u>1,259,780</u>
Carrying amount:									
Balance at January 1, 2024	\$	<u>123,978</u>	<u>19,247</u>	<u>261,811</u>	<u>645</u>	<u>4,515</u>	<u>14,812</u>	<u>2,891</u>	<u>427,899</u>
Balance at June 30, 2024	\$	<u>123,978</u>	<u>23,695</u>	<u>229,304</u>	<u>578</u>	<u>5,142</u>	<u>14,263</u>	<u>22,179</u>	<u>419,139</u>
Balance at January 1, 2023	\$	<u>123,978</u>	<u>21,299</u>	<u>311,738</u>	<u>825</u>	<u>2,857</u>	<u>15,610</u>	<u>-</u>	<u>476,307</u>
Balance at June 30, 2023	\$	<u>123,978</u>	<u>23,622</u>	<u>305,268</u>	<u>720</u>	<u>2,019</u>	<u>16,048</u>	<u>-</u>	<u>471,655</u>

As of June 30, 2024, December 31, 2023 and June 30, 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 six months ended June 30, 2024 and 2023 were as follows:

		Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost:						
Balance at January 1, 2024	\$	212,032	3,325	16,667	9,451	241,475
Additions		-	-	11,420	-	11,420
Write-off		-	-	(2,007)	-	(2,007)
Effects of exchange rate changes		12,021	189	251	537	12,998
Balance at June 30, 2024	\$	<u>224,053</u>	<u>3,514</u>	<u>26,331</u>	<u>9,988</u>	<u>263,886</u>
Balance at January 1, 2023	\$	220,022	2,358	13,141	9,452	244,973
Additions		997	2,510	447	-	3,954
Write-off		(8,900)	(816)	(2,126)	-	(11,842)
Effects of exchange rate changes		2,894	64	47	132	3,137
Balance at June 30, 2023	\$	<u>215,013</u>	<u>4,116</u>	<u>11,509</u>	<u>9,584</u>	<u>240,222</u>
Accumulated depreciation:						
Balance at January 1, 2024	\$	100,831	990	7,656	5,950	115,427
Depreciation		14,112	368	3,153	1,075	18,708
Write-off		-	-	(2,007)	-	(2,007)
Effects of exchange rate changes		5,963	62	184	357	6,566
Balance at June 30, 2024	\$	<u>120,906</u>	<u>1,420</u>	<u>8,986</u>	<u>7,382</u>	<u>138,694</u>

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	\$	82,748	1,688	7,142	3,711	95,289
Depreciation		13,384	425	1,629	1,115	16,553
Write-off		(8,900)	(816)	(2,126)	-	(11,842)
Effects of exchange rate changes		1,252	17	43	73	1,385
Balance at June 30, 2023	\$	88,484	1,314	6,688	4,899	101,385
Carrying amount:						
Balance at January 1, 2024	\$	111,201	2,335	9,011	3,501	126,048
Balance at June 30, 2024	\$	103,147	2,094	17,345	2,606	125,192
Balance at January 1, 2023	\$	137,274	670	5,999	5,741	149,684
Balance at June 30, 2023	\$	126,529	2,802	4,821	4,685	138,837

(h) Goodwill and intangible assets

The cost, amortization and impairment of the goodwill and intangible assets of the Group for the six months ended June 30, 2024 and 2023 were as follows:

		Goodwill	Customer relationship	Developed technology	Software	Technology licenses	Trademarks	Others	Total
Cost:									
Balance at January 1, 2024	\$	498,206	168,878	79,833	46,267	2,946	231	1,132	797,493
Additions		-	-	-	1,810	190	-	-	2,000
Disposals		-	-	-	(530)	(181)	-	-	(711)
Reclassification		-	-	-	(350)	-	-	-	(350)
Effects of exchange rate changes		28,012	9,597	4,537	1,928	-	-	-	44,074
Balance at June 30, 2024	\$	526,218	178,475	84,370	49,125	2,955	231	1,132	842,506
Balance at January 1, 2023	\$	498,287	167,019	77,935	40,625	2,430	127	1,332	787,755
Additions		-	-	-	2,603	586	38	-	3,227
Disposals		-	-	-	(529)	-	(31)	(30)	(590)
Effects of exchange rate changes		6,902	4,251	3,028	2,160	-	-	-	16,341
Balance at June 30, 2023	\$	505,189	171,270	80,963	44,859	3,016	134	1,302	806,733
Accumulated amortization and impairment losses:									
Balance at January 1, 2024	\$	199,474	46,911	47,520	37,940	1,251	52	942	334,090
Amortization		-	5,850	5,925	2,235	243	12	154	14,419
Disposals		-	-	-	(530)	(181)	-	-	(711)
Effects of exchange rate changes		11,336	2,765	2,801	1,697	-	-	-	18,599
Balance at June 30, 2024	\$	210,810	55,526	56,246	41,342	1,313	64	1,096	366,397
Balance at January 1, 2023	\$	199,507	33,772	34,210	32,055	750	34	774	301,102
Amortization		-	5,602	5,675	2,384	326	14	197	14,198
Disposals		-	-	-	(529)	-	(31)	(30)	(590)
Effects of exchange rate changes		2,793	2,492	2,524	1,864	-	-	-	9,673
Balance at June 30, 2023	\$	202,300	41,866	42,409	35,774	1,076	17	941	324,383
Carrying amount:									
Balance at January 1, 2024	\$	298,732	121,967	32,313	8,327	1,695	179	190	463,403
Balance at June 30, 2024	\$	315,408	122,949	28,124	7,783	1,642	167	36	476,109
Balance at January 1, 2023	\$	298,780	133,247	43,725	8,570	1,680	93	558	486,653
Balance at June 30, 2023	\$	302,889	129,404	38,554	9,085	1,940	117	361	482,350

None of the intangible assets held by the Group were pledged collateral as of June 30, 2024, December 31, 2023 and June 30, 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

	June 30, 2024	December 31, 2023	June 30, 2023
Other current assets:			
Prepayments	\$ 67,474	34,450	75,021
Others	2,535	21,860	16,767
	<u>\$ 70,009</u>	<u>56,310</u>	<u>91,788</u>
Other non-current assets:			
Refundable deposits	\$ 4,928	3,981	3,929
Others	11	26	42
	<u>\$ 4,939</u>	<u>4,007</u>	<u>3,971</u>

(j) Short-term borrowings

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

	June 30, 2024	December 31, 2023	June 30, 2023
Unsecured bank loans	\$ 502,000	552,000	952,000
Secured bank loans	-	-	209,762
	<u>\$ 502,000</u>	<u>552,000</u>	<u>1,161,762</u>
Unused short-term credit lines	<u>\$ 547,000</u>	<u>507,000</u>	<u>691,738</u>
Range of interest rates	<u>1.95%~2.25%</u>	<u>1.82%~2.125%</u>	<u>1.82%~2.256%</u>

(i) Issuing and repayment the borrowings

There were no significant issues of short-term borrowings for the six months ended June 30, 2024. For the six months ended June 30, 2023, the Group had the additional short-term borrowings amounting to \$264,766 thousand, with an interest rate of 1.82%~2.125%, as well as maturities ranging from July to October, 2023. For the six months ended June 30, 2024 and 2023, the repayments amounted to \$50,000 thousand and \$265,404 thousand, respectively.

(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:

	June 30, 2024	December 31, 2023	June 30, 2023
Current	\$ 38,866	35,948	33,218
Non-current	<u>\$ 95,704</u>	<u>99,992</u>	<u>115,594</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Interest expense on lease liabilities	\$ 1,098	1,218	2,136	2,395
Expenses relating to short-term leases	<u>\$ 1,527</u>	<u>1,425</u>	<u>2,854</u>	<u>2,915</u>

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	For the six months ended June 30	
	2024	2023
Total cash outflow for leases	\$ 24,775	21,668

(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.

(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:

	June 30, 2024	December 31, 2023	June 30, 2023
Salary and bonus payable	\$ 40,860	66,844	30,873
Pensions payable	1,982	1,925	1,770
Employee and director compensation payable	15,791	4,763	-
Commission payable	39,949	70,030	44,359
Dividends payable	29,343	-	-
Investment payable	-	-	34,488
Others	80,645	139,311	134,871
	\$ 208,570	282,873	246,361

(m) Long-term borrowings

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

	June 30, 2024	December 31, 2023	June 30, 2023
Unsecured bank loans	\$ 525,000	435,000	62,041
Secured bank loans	518,294	518,294	308,532
	1,043,294	953,294	370,573
Less: current portion	(7,038)	(2,806)	(135,461)
	\$ 1,036,256	950,488	235,112
Unused long-term credit lines	\$ 871,706	871,706	248,450
Range of interest rates	1.897%~2.337%	1.896%~2.204%	2.4%~2.939%

(i) Issuance and repayment of the borrowings

For the six months ended June 30, 2024, the Group had the additional long-term borrowings amounting to \$ 90,000 thousand, with an interest rate of 2.06%, maturing in April 2028. There was no such transaction for the six months ended June 30, 2023. For the six months ended June 30, 2024 and 2023, the repayments amounted to \$0 thousand and \$67,540 thousand, respectively.

(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%.

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 from 2021. For the collateral for long-term borrowings, please refer to note 8.

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

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

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

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

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

(In Thousands of New Taiwan Dollars)					
Financial year	2022	2023	2024	2025	2026
Equity	1,200,000	1,200,000	1,300,000	1,350,000	1,400,000

The 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 June 30, 2024, December 31, 2023 and June 30, 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

	June 30, 2024	December 31, 2023	June 30, 2023
Current–Warranties	\$ 20,644	21,101	16,684
Non-current–Employee benefits	4,826	4,668	4,326
	\$ 25,470	25,769	21,010

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

There were no significant changes in provisions for the six months ended June 30, 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:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Operating cost	\$ (40)	177	(80)	130
Selling expenses	(18)	(320)	(35)	(333)
Administration expenses	(14)	71	(28)	59
	<u>\$ (72)</u>	<u>(72)</u>	<u>(143)</u>	<u>(144)</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.

	For the three months ended		For the six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Operating cost	\$ 4,742	5,482	9,174	10,403
Selling expenses	613	541	1,285	975
Administration expenses	2,112	1,661	4,160	3,832
Research and development expenses	216	206	422	419
	<u>\$ 7,683</u>	<u>7,890</u>	<u>15,041</u>	<u>15,629</u>

(p) Income taxes

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

	For the three months ended		For the six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Current tax expense				
Current period	\$ 20,092	12,230	37,612	29,972
Adjustment for prior periods	4,424	90	4,424	17,603
	<u>24,516</u>	<u>12,320</u>	<u>42,036</u>	<u>47,575</u>
Deferred tax expense				
Origination and reversal of temporary differences	6,454	6,227	14,452	3,475
Income tax expense	<u>\$ 30,970</u>	<u>18,547</u>	<u>56,488</u>	<u>51,050</u>

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

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

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ (5,095)	(9,246)	(16,742)	(9,666)

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 June 30, 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 stock dividend bonus to shareholders.

The Company shall make distribution of dividend with a total amount no lower than 10% of the earnings distributable for the year based on the overall circumstances and growth characteristics of the industry, in consideration of the Company's profiting status and future operation needs, with the sustainable operations of the Company as objective and shareholders' equity and the Company's long-term financial planning taken into account.

The distribution of dividends by the Company can be in the form of cash or issuing new shares according to the Company's annual surplus in the current year and the overall industry's environment. However, cash dividends shall not be lower than 60% of the total dividends distributed, which may be adjusted in the shareholders' meeting based on the actual profit in the current year or the state of operations.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

As the Company opted for the exemptions allowed under IFRS 1 "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.

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

There was no earnings distribution for 2022 based on the resolution made during the shareholders' meeting on June 15, 2023. On May 31, 2024, the shareholders' meeting resolved to appropriate the 2023 earnings. These earnings were appropriated as follows:

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

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

	Exchange differences on translation of foreign financial statements	
Balance at January 1, 2024	\$	15,086
Exchange differences on foreign operations		83,708
Income tax		(16,742)
Balance at June 30, 2024	\$	82,052
Balance at January 1, 2023	\$	(10,159)
Exchange differences on foreign operations		48,330
Income tax		(9,666)
Balance at June 30, 2023	\$	28,505

(r) Earnings per share

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

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Net profit attributable to ordinary shareholders of the Company (basic)	\$ 59,532	46,417	107,412	67,535
Weighted average number of ordinary shares outstanding (in thousands of shares)	54,950	54,950	54,950	54,950
Basic earnings per share (expressed in NT dollars)	\$ 1.08	0.84	1.95	1.23

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

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ 59,532	46,417	107,412	67,535
Weighted average number of ordinary shares outstanding (basic) (in thousands of shares)	54,950	54,950	54,950	54,950
Effect of dilutive potential ordinary shares				
Effect on employees' compensation	129	-	157	-
Weighted average number of ordinary shares outstanding (diluted) (in thousands of shares)	55,079	54,950	55,107	54,950
Diluted earnings per share (expressed in NT dollars)	\$ 1.08	0.84	1.95	1.23

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
<u>Primary geographical markets</u>				
Europe	\$ 303,632	311,570	555,060	622,227
Asia	276,028	87,900	526,304	167,264
Americas	223,872	259,586	413,666	430,222
Others	12,527	827	12,697	1,304
	\$ 816,059	659,883	1,507,727	1,221,017
<u>Major products/services</u>				
Sales of goods	679,582	546,945	1,221,077	1,019,426
Rendering of services	136,477	112,938	286,650	201,591
	\$ 816,059	659,883	1,507,727	1,221,017

(ii) Contract balances

	June 30, 2024	December 31, 2023	June 30, 2023
Contract liabilities	\$ 212,604	178,607	291,875

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.

For the three months and the six months ended June 30, 2024, the Company estimated its employee compensation amounting to \$4,445 thousand and \$8,020 thousand; and directors' remuneration amounting to \$1,667 thousand and \$3,008 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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. 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.

There was profit before tax for the six months ended June 30, 2023, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. 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 was 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:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Interest income from bank deposits	\$ 2,548	3,093	4,156	4,691

(ii) Other income

The details of other income were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Rent income	\$ 33	45	70	78
Government grants	-	-	69	428
Others	521	30	647	341
	\$ 554	75	786	847

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Foreign exchange gains	\$ 3,473	6,563	24,361	7,652
Losses on financial assets and liabilities at fair value through profit or loss	(112)	(91)	(114)	(107)
Gains (losses) on disposals of property, plant and equipment	(44)	(281)	263	(281)
Others	(975)	(13)	(1,064)	(18)
	\$ 2,342	6,178	23,446	7,246

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

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Interest expenses-bank loans	\$ 7,823	8,328	15,283	16,795
Interest expenses-lease liabilities	1,098	1,218	2,136	2,395
Interest expenses-others	11	-	11	-
	<u>\$ 8,932</u>	<u>9,546</u>	<u>17,430</u>	<u>19,190</u>

(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 June 30, 2024, December 31, 2023 and June 30, 2023, the Group's major customers consisted of five customers which accounted for 55%, 51% and 68%, 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 six months ended June 30, 2024 and 2023.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	Over 1 year
June 30, 2024				
Non derivative financial liabilities				
Short-term borrowings	\$ 502,000	503,515	503,515	-
Accounts and other payables	554,964	554,964	554,964	-
Long-term borrowings (current portion included)	1,043,294	1,110,645	29,310	1,081,335
Lease liabilities (current and non-current)	134,570	134,944	39,105	95,839
	<u>\$ 2,234,828</u>	<u>2,304,068</u>	<u>1,126,894</u>	<u>1,177,174</u>

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>Over 1 year</u>
<u>December 31, 2023</u>				
Non derivative financial liabilities				
Short-term borrowings	\$ 552,000	553,572	553,572	-
Accounts 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
	\$ 2,110,178	2,179,012	1,062,133	1,116,879
<u>June 30, 2023</u>				
Non derivative financial liabilities				
Short-term borrowings	\$ 1,161,762	1,166,382	1,166,382	-
Accounts and other payables	460,857	460,857	460,857	-
Long-term borrowings (current portion included)	370,573	379,474	142,168	237,306
Lease liabilities (current and non-current)	148,812	148,920	33,283	115,637
	\$ 2,142,004	2,155,633	1,802,690	352,943

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:

	June 30, 2024			December 31, 2023			June 30, 2023			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets										
Monetary items										
EUR	\$	4,073	34.71	141,372	2,893	33.98	98,315	7,933	33.81	268,226
USD		15,898	32.450	515,885	12,590	30.705	386,579	10,703	31.14	333,299
CNY		575	4.445	2,555	9,727	4.327	42,091	7,931	4.282	33,961
Financial liabilities										
Monetary items										
EUR		242	34.71	8,388	39	33.98	1,318	178	33.81	6,001
USD		384	32.450	12,465	86	30.705	2,638	351	31.14	10,926

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 and liabilities at fair value through profit or loss, trade and other receivables; and accounts 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 June 30, 2024 and 2023, would have increased (decreased) the net profit after tax by \$5,112 thousand and \$4,948 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 and the six months ended June 30, 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$3,473 thousand, \$6,563 thousand, \$24,361 thousand and \$7,652 thousand, respectively.

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 \$3,863 thousand and \$3,831 thousand for the six months ended June 30, 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 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:

June 30, 2024					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 731,659	-	-	-	-
Notes and trade receivable (including from related parties)	843,033	-	-	-	-
Other receivables (including from related parties)	111,190	-	-	-	-
Refundable deposits	4,928	-	-	-	-
Subtotal	<u>\$ 1,690,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at FVTPL					
Held-for-trading financial liabilities	<u>\$ 114</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>114</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 502,000	-	-	-	-
Accounts and notes payable and other payables (including from related parties)	554,964	-	-	-	-
Long-term borrowings (current portion included)	1,043,294	-	-	-	-
Lease liabilities (current and non-current)	134,570	-	-	-	-
Subtotal	<u>\$ 2,234,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

December 31, 2023

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 838,416	-	-	-	-
Notes and trade receivable	690,793	-	-	-	-
Other receivables	16,930	-	-	-	-
Refundable deposits	3,981	-	-	-	-
Subtotal	\$ 1,550,120	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 552,000	-	-	-	-
Accounts and notes payable and other payables	468,944	-	-	-	-
Long-term borrowings (current portion included)	953,294	-	-	-	-
Lease liabilities (current and non-current)	135,940	-	-	-	-
Subtotal	\$ 2,110,178	-	-	-	-

June 30, 2023

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 773,497	-	-	-	-
Notes and trade receivable	534,260	-	-	-	-
Other receivables	29,859	-	-	-	-
Refundable deposits	3,929	-	-	-	-
Subtotal	\$ 1,341,545	-	-	-	-
Financial liabilities at FVTPL					
Held-for-trading financial liabilities	\$ 107	-	107	-	107
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 1,161,762	-	-	-	-
Accounts and notes payable and other payables	460,857	-	-	-	-
Long-term borrowings (current portion included)	370,573	-	-	-	-
Lease liabilities (current and non-current)	148,812	-	-	-	-
Subtotal	\$ 2,142,004	-	-	-	-

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.

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

4) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the six months ended June 30, 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 six months ended June 30, 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:

			Non-cash changes		
	January 1, 2024	Cash flows	Increase (decrease) for the period	Foreign exchange movement	June 30, 2024
Short-term borrowings	\$ 552,000	(50,000)	-	-	502,000
Lease liabilities (current and non-current)	135,940	(19,785)	11,420	6,995	134,570
Long-term borrowings (current portion included)	953,294	90,000	-	-	1,043,294
Total liabilities from financing activities	<u>\$ 1,641,234</u>	<u>20,215</u>	<u>11,420</u>	<u>6,995</u>	<u>1,679,864</u>
			Non-cash changes		
	January 1, 2023	Cash flows	Increase (decrease) for the period	Foreign exchange movement	June 30, 2023
Short-term borrowings	\$ 1,162,400	(638)	-	-	1,161,762
Lease liabilities (current and non-current)	159,324	(16,358)	3,954	1,892	148,812
Long-term borrowings (current portion included)	438,113	(67,540)	-	-	370,573
Total liabilities from financing activities	<u>\$ 1,759,837</u>	<u>(84,536)</u>	<u>3,954</u>	<u>1,892</u>	<u>1,681,147</u>

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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. (Zhongshan Xuguang)	Associate
Lerinc Werkzeugmaschinen & Automation GmbH (LWA)	Associate (from May 2024)

(b) Significant transactions with related parties

(i) Sales of goods to related parties

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

Account	Type/Name of related party	For the three months ended June 30		For the six months ended June 30	
		2024	2023	2024	2023
	Associate:				
Sale of goods	LWA	\$ 18,619	-	18,619	-
Sale of goods	Zhongshan Xuguang	-	-	224	-
		<u>\$ 18,619</u>	<u>-</u>	<u>18,843</u>	<u>-</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 Zhongshan Xuguang and LWA are T/T 90 days and T/T 180 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>June 30, 2024</u>
	Associate:	
Trade receivable	LWA	\$ 45,834
Trade receivable	Zhongshan Xuguang	229
		<u>\$ 46,063</u>
<u>Account</u>	<u>Type/Name of related party</u>	<u>June 30, 2024</u>
	Associate:	
Other receivables	Zhongshan Xuguang	\$ 523
Other receivables	LWA	385
		<u>\$ 908</u>

(iii) Payables to related parties

The payables to related parties were as follows:

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

<u>Account</u>	<u>Type/Name of related party</u>	<u>June 30, 2024</u>
	Associate:	
Accounts payables	LWA	\$ <u>11</u>

(iv) 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 June 30, 2024</u>		<u>For the six months ended June 30, 2024</u>	
	<u>Disposal price</u>	<u>Disposal gain (loss)</u>	<u>Disposal price</u>	<u>Disposal gain (loss)</u>
Associate:				
Zhongshan Xuguang	\$ <u>-</u>	<u>-</u>	<u>512</u>	<u>512</u>

The Group sold other equipment to associate in March 2024 for \$512 thousand. As of June 30, 2024, the unpaid balance was \$523 thousand. For further property, plant and equipment information, please refer to note 6(f).

(v) Loans to related parties

The loans to related parties were as follows:

<u>Account</u>	<u>Type/Name of related party</u>	<u>June 30, 2024</u>
	Associate:	
Other receivables	MWA	\$ <u>86,775</u>

The interest charged by the Group to related parties is based on the average interest rate charged by financial institutions on the Group's borrowings. The loans to related parties are unsecured. There is no expected credit loss required after the management's assessment.

(c) Key management personnel compensation:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 684	2,561	8,172	5,397
Post-employment benefits	38	126	130	279
	\$ <u>722</u>	<u>2,687</u>	<u>8,302</u>	<u>5,676</u>

8. Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Subject of pledge guarantee</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 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	2,138	3,971	5,804
		\$ <u>126,116</u>	<u>127,949</u>	<u>129,782</u>

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

9. Significant commitments and contingencies

The Group's unrecognized contractual commitments were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Acquisition of property, plant and equipment	\$ 372	-	-

10. Losses due to major disasters: None.

11. Subsequent events: None.

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 June 30, 2024			For the three months ended June 30, 2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	\$ 87,727	55,408	143,135	86,584	46,690	133,274
Labor and health insurance	11,824	6,201	18,025	12,411	4,439	16,850
Pension	4,702	2,909	7,611	5,659	2,159	7,818
Others	613	1,836	2,449	668	3,379	4,047
Depreciation	24,998	9,013	34,011	26,609	8,029	34,638
Amortization	56	7,143	7,199	21	7,049	7,070

By function By item	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	\$ 166,636	111,687	278,323	166,882	86,384	253,266
Labor and health insurance	22,467	11,624	34,091	24,179	11,082	35,261
Pension	9,094	5,804	14,898	10,533	4,952	15,485
Others	1,143	3,577	4,720	1,194	4,790	5,984
Depreciation	49,134	17,587	66,721	50,121	16,039	66,160
Amortization	129	14,290	14,419	42	14,156	14,198

(b) Seasonality of operations

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

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

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 six months ended June 30, 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	Loss allowance	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	20,694	20,694		1	86,319	-	-	-	-	156,534	626,134
0	The Company	Quaser America	Other receivables	Yes	5,895	-	-		1	-	-	-	-	-	156,534	626,134
0	The Company	Winbro LLC	Other receivables	Yes	49,586	49,586	49,586		1	116,909	-	-	-	-	156,534	626,134
0	The Company	Winbro Ltd	Other receivables	Yes	34,831	34,831	34,831		1	56,823	-	-	-	-	156,534	626,134
0	The Company	LWA	Other receivables	Yes	87,675	86,775	86,775	4.5%	2	-	Operational development	-	-	-	156,534	626,134
1	Quaser Europe	Quaser Europe Gmbh	Other receivables	Yes	44,011	44,011	44,011		1	-	-	-	-	-	180,464	180,464
2	Winbro Ltd	Winbro LLC	Other receivables	Yes	78,442	70,067	70,067		1	112,572	-	-	-	-	2,332,428	2,332,428
2	Winbro Ltd	The Company	Other receivables	Yes	47,252	47,252	47,252		1	25,298	-	-	-	-	2,332,428	2,332,428
3	Winbro LLC	Winbro Ltd	Other receivables	Yes	12,512	-	-		1	4,271	-	-	-	-	1,466,256	1,466,256
3	Winbro LLC	The Company	Other receivables	Yes	901	901	901		1	-	-	-	-	-	1,466,256	1,466,256

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

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	Loss allowance	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 2)
													Item	Value		
4	Quaser America	Winbro LLC	Other receivables	Yes	98,070	98,070	98,070		1	-	-	-	-	-	432,452	432,452

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 June 30, 2024 was \$1,565,335 thousand \times 10% = \$156,534 thousand; Quaser Europe's net asset value as of June 30, 2024 was \$45,116 thousand \times 400% = \$180,464 thousand; Winbro Ltd's net asset value as of June 30, 2024 was \$583,107 thousand \times 400% = \$2,332,428 thousand; Winbro LLC's net asset value as of June 30, 2024 was \$366,564 thousand \times 400% = \$1,466,256 thousand; Quaser America's net asset value as of June 30, 2024 was \$108,113 thousand \times 400% = \$432,452 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 June 30, 2024 was \$1,565,335 thousand \times 40% = \$626,134 thousand; Quaser Europe's net asset value as of June 30, 2024 was \$45,116 thousand \times 400% = \$180,464 thousand; Winbro Ltd's net asset value as of June 30, 2024 was \$583,107 thousand \times 400% = \$2,332,428 thousand; Winbro LLC's net asset value as of June 30, 2024 was \$366,564 thousand \times 400% = \$1,466,256 thousand; Quaser America's net asset value as of June 30, 2024 was \$108,113 thousand \times 400% = \$432,452 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:

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes receivable/ Trade receivables (Notes payable/ Accounts payables)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes receivable/trade receivables (Notes payable/ Accounts payables)	
The Company	Kunshan Quaser	Subsidiary company	Sales	164,818	11%	T/T 180 days	-		30,187	4%	

(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 company	196,560	2.62	70,067	Accounting for other receivables.	-	-
The Company	LWA	Associate	117,291	2.12	-	-	-	-

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	164,818	T/T 180 days	11 %
0	The Company	Kunshan Quaser	1	Trade receivable	30,187	T/T 180 days	1 %
0	The Company	Quaser Europe Gmbh	1	Sales	12,084	T/T 180 days	1 %
0	The Company	Winbro Ltd	2	Sales	41,649	T/T 180 days	3 %
0	The Company	Winbro Ltd	2	Purchase	64,552	T/T 30 days	4 %
0	The Company	Winbro Ltd	2	Trade receivable	42,429	T/T 180 days	1 %
0	The Company	Winbro Ltd	2	Accounts payable	117,049	T/T 30 days	3 %
0	The Company	Winbro Ltd	2	Other receivable	43,301	T/T 180 days	1 %

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

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	Winbro Ltd	2	Other income	10,267	T/T 180 days	1 %
0	The Company	Winbro LLC	2	Sales	13,698	T/T 180 days	1 %
0	The Company	Winbro LLC	2	Trade receivable	13,790	T/T 180 days	- %
0	The Company	Winbro LLC	2	Other receivable	70,554	T/T 180 days	2 %
1	Quaser America	Winbro LLC	4	Trade receivable	65,944	T/T 120 days	2 %
2	Quaser Europe GmbH	Quaser Europe	3	Accounts payable	44,386	T/T 180 days	1 %
3	Winbro Ltd	Winbro LLC	5	Sales	94,876	T/T 90 days	6 %
3	Winbro Ltd	Winbro LLC	5	Trade receivable	126,493	T/T 90 days	3 %
4	Winbro Ltd	Winbro LLC	5	Other receivable	70,067	T/T 90 days	2 %

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 six months ended June 30, 2024 (excluding information on investees in mainland China):

(In Thousands of NTD, GBP, USD and EUR) (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%	45,116	(373)	(373)	Subsidiary
The Company	Quaser America	America	Buys and sells machines	189,455	189,455	6,000,000	100%	108,113	3,745	3,745	Subsidiary (Note 3)
The Company	Winbro UK	United Kingdom	Overseas reinvested holding company	1,845,204	1,845,204	27,054,625	100%	1,437,029	37,811	9,577	Subsidiary

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 Gmbh	Germany	Buys and sells machines	121,448	121,448	25,000	100%	95,047	4,252	4,252	Subsidiary
Winbro UK	Winbro Ltd	United Kingdom	Aerospace machinery manufacturing and machining	GBP 90	GBP 90	9,029,804	100%	GBP 14,208	GBP (2,013)	(Note 2)	Sub-subsidiary
Winbro UK	Winbro LLC	America	Aerospace machinery manufacturing and machining	USD 33,576	USD 33,576	-	100%	USD 11,296	USD 3,123	(Note 2)	Sub-subsidiary
Quaser Europe Gmbh	MWA	Germany	Buys and sells machines	EUR 430	-	43,000	43%	EUR 293	EUR (320)	(Note 2)	Associate

Note 1: Except for MWA, the remaining 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 in 2022. Based on the Group's operation plan, the Company's Board of Directors resolved to cancel the resolution on August 7, 2024.

(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 NTD, CNY, and USD)

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 June 30, 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)	9,138	100%	9,138	23,917	-
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)	(2,133)	40%	(853)	34,424	-

Note: Significant intercompany accounts and transactions have been eliminated.

(ii) Limitation on investment in mainland China:

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

(In Thousands of NTD, CNY and USD)

Accumulated investment in mainland China as of June 30, 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)	939,201

(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

Shareholding	Shares	Percentage
Shareholder's Name		
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 %

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

14. Segment information

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

For the three months ended June 30, 2024			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 327,768	488,291	816,059
Reportable segment profit	\$ 25,695	73,556	99,251
For the three months ended June 30, 2023			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 336,453	323,430	659,883
Reportable segment profit	\$ 18,635	46,529	65,164
For the six months ended June 30, 2024			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 670,133	837,594	1,507,727
Reportable segment profit	\$ 31,429	127,108	158,537
For the six months ended June 30, 2023			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 595,983	625,034	1,221,017
Reportable segment profit	\$ 45,962	79,029	124,991

Segment revenue reported above represents revenue generated from external customers. The intersegment sales had been eliminated for the three months and six months ended June 30, 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.