

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

**Consolidated Financial Statements**

**With Independent Auditors' Report**

**For the Years Ended December 31, 2024 and 2023**

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

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4~6
5. Consolidated Balance Sheets	7
6. Consolidated Statements of Comprehensive Income	8
7. Consolidated Statements of Changes in Equity	9
8. Consolidated Statements of Cash Flows	10~11
9. Notes to the Consolidated Financial Statements	
(1) Company history	12
(2) Approval date and procedures of the consolidated financial statements	12
(3) New standards, amendments and interpretations adopted	12~13
(4) Summary of material accounting policies	13~26
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	26~27
(6) Explanation of significant accounts	27~48
(7) Related-party transactions	48~49
(8) Pledged assets	49~50
(9) Significant commitments and contingencies	50
(10) Losses due to major disasters	50
(11) Subsequent events	50
(12) Other	50
(13) Other disclosures	
(a) Information on significant transactions	51~54
(b) Information on investees	54~55
(c) Information on investment in mainland China	55~56
(d) Major shareholders	56
(14) Segment information	57~58

## Representation Letter

The entities that are required to be included in the consolidated financial statements of Quaser Machine Tools, Inc. as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Quaser Machine Tools, Inc. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Quaser Machine Tools, Inc.

Chairman: Shieh, Rau-Mu

Date: March 11, 2025



# Independent Auditors' Report

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

## Opinion

We have audited the consolidated financial statements of Quaser Machine Tools, Inc. (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

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

## Key Audit Matters

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

### 1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures.

## 2. Valuation of inventory

Refer to Note 4(h) for accounting policies; Note 5 for significant accounting assumptions and judgments, and major sources of estimation uncertainty; and Note 6(c) for explanation of inventory valuation.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the influence of factors such as changes in the international economic climate, the original product outdated may no longer meet the market demand, resulting in the risk that the cost of inventory may exceed its net realizable value. Therefore, inventory valuation is considered as one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures regarding the aforementioned key audit matters included the following: evaluate the inventory and test the appropriateness of management's inventory valuation policy; analyze the aging change of inventory for each period; perform sampling procedures to check the accuracy of inventory aging list; and verify the reasonableness of provision for losses on obsolete and slow-moving inventories.

## Other Matter

Quaser Machine Tools, Inc. has prepared its parent company only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unmodified opinion.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 11, 2025

#### Notes to Readers

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

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

	December 31, 2024		December 31, 2023			December 31, 2024		December 31, 2023	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (Note 6(a))	\$ 810,330	19	838,416	22	Short-term borrowings (Note 6(i) and 8)	\$ 729,000	17	552,000	14
Notes receivable, net (Note 6(b))	12,053	-	30,571	1	Current contract liabilities (Note 6(r))	159,728	4	178,607	5
Trade receivable, net (Note 6(b))	822,022	20	660,222	17	Notes payable	-	-	171	-
Trade receivable due from related parties (Note 7)	111,306	3	-	-	Accounts payable	230,548	5	185,900	5
Other receivables	18,989	-	16,930	-	Accounts payable due from related parties (Note 7)	38	-	-	-
Other receivables due from related parties (Note 7)	103,028	3	-	-	Other payables (Note 6(k))	190,974	5	282,873	7
Current tax assets	14,142	-	13,509	-	Current tax liabilities	48,850	1	60,747	2
Inventories (Note 6(c))	1,139,694	27	1,058,751	28	Current provisions (Note 6(m))	19,401	-	21,101	1
Other current assets (Note 6(h))	45,561	1	56,310	2	Current lease liabilities (Note 6(j))	39,271	1	35,948	1
	3,077,125	73	2,674,709	70	Long-term borrowing, current portion (Note 6(l) and 8)	423,524	10	2,806	-
					Other current liabilities	1,134	-	831	-
						1,842,468	43	1,320,984	35
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>				
Investments accounted for using equity method (Note 6(d))	30,868	1	34,542	1	Long-term borrowings (Note 6(l) and 8)	566,677	14	950,488	25
Property, plant and equipment (Note 6(e) and 8)	442,547	10	427,899	11	Non-current provisions (Note 6(m))	4,679	-	4,668	-
Right-of-use assets (Note 6(f))	114,695	3	126,048	3	Deferred tax liabilities (Note 6(o))	58,475	1	34,829	1
Intangible assets (Note 6(g))	150,219	3	164,671	4	Non-current lease liabilities (Note 6(j))	82,662	2	99,992	2
Goodwill (Note 6(g))	318,609	7	298,732	8	Credit balance of investments accounted for using equity method (Note 6(d))	2,814	-	-	-
Deferred tax assets (Note 6(o))	70,841	2	79,192	2		715,307	17	1,089,977	28
Net defined benefit assets (Note 6(n))	27,575	1	21,461	1	<b>Total liabilities</b>	2,557,775	60	2,410,961	63
Other non-current assets (Note 6(h))	6,772	-	4,007	-					
	1,162,126	27	1,156,552	30	<b>Equity attributable to owners of parent:</b> (Note 6(p))				
					Common stock	549,500	13	549,500	14
					Capital surplus	820,363	20	820,363	22
					Unappropriated retained earnings	222,491	5	35,351	1
					Other equity	89,122	2	15,086	-
					<b>Total equity</b>	1,681,476	40	1,420,300	37
<b>Total assets</b>	<b>\$ 4,239,251</b>	<b>100</b>	<b>3,831,261</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 4,239,251</b>	<b>100</b>	<b>3,831,261</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

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

	2024		2023	
	Amount	%	Amount	%
<b>Operating revenues</b> (Note 6(r) and 7)	\$ 3,240,019	100	2,770,750	100
<b>Operating costs</b> (Note 6(c), (n) and 12)	2,204,896	68	1,994,080	72
<b>Gross profit</b>	1,035,123	32	776,670	28
Unrealized profit from sales	(2,859)	-	-	-
<b>Gross profit, net</b>	1,032,264	32	776,670	28
<b>Operating expenses</b> (Note 6(n), (s) and 12):				
Selling expenses	155,839	5	148,170	5
Administrative expenses	391,069	12	331,273	12
Research and development expenses	133,193	4	77,771	3
Expected credit loss (Note 6(b) and 7)	12,309	-	10,368	-
	692,410	21	567,582	20
<b>Operating income</b>	339,854	11	209,088	8
<b>Non-operating income and expenses</b> (Note 6(t)):				
Interest income	9,270	-	11,384	-
Other income	937	-	2,676	-
Other gains and losses, net	22,650	1	(1,221)	-
Finance costs (Note 6(j))	(35,876)	(1)	(37,262)	(1)
Share of loss of associates accounted for using equity method (Note 6(d))	(19,574)	(1)	(75)	-
	(22,593)	(1)	(24,498)	(1)
<b>Profit before income tax</b>	317,261	10	184,590	7
<b>Less: Income tax expenses</b> (Note 6(o))	104,669	3	73,597	3
<b>Profit for the period</b>	212,592	7	110,993	4
<b>Other comprehensive income:</b>				
<b>Items that may not be reclassified subsequently to profit or loss:</b>				
Gains (losses) on remeasurements of defined benefit plans (Note 6(n))	4,864	-	1,513	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(o))	(973)	-	(303)	-
	3,891	-	1,210	-
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translation of foreign financial statements	92,545	3	31,556	1
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(o))	(18,509)	(1)	(6,311)	-
	74,036	2	25,245	1
<b>Other comprehensive income (after tax)</b>	77,927	2	26,455	1
<b>Total comprehensive income</b>	\$ <b>290,519</b>	<b>9</b>	<b>137,448</b>	<b>5</b>
<b>Earnings per share</b> (NT Dollars) (Note 6(q))				
<b>Basic earnings per share</b>	\$ <b>3.87</b>		<b>2.02</b>	
<b>Diluted earnings per share</b>	\$ <b>3.86</b>		<b>2.02</b>	

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the Years ended December 31, 2024 and 2023**  
**(Expressed in thousands of New Taiwan Dollar)**

Equity attributable to owners of parent

	Retained earnings						Other equity	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total	Exchange differences on translation of foreign financial statements	
Balance at January 1, 2023	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Profit for the period	-	-	-	-	110,993	110,993	-	110,993
Other comprehensive income for the period	-	-	-	-	1,210	1,210	25,245	26,455
Total comprehensive income for the period	-	-	-	-	112,203	112,203	25,245	137,448
Appropriation and distribution of retained earnings:								
Capital surplus used to offset accumulated deficits	-	(59,746)	-	-	59,746	59,746	-	-
Balance at December 31, 2023	<b>\$ 549,500</b>	<b>820,363</b>	<b>-</b>	<b>2,724</b>	<b>32,627</b>	<b>35,351</b>	<b>15,086</b>	<b>1,420,300</b>
Balance at January 1, 2024	\$ 549,500	820,363	-	2,724	32,627	35,351	15,086	1,420,300
Profit for the period	-	-	-	-	212,592	212,592	-	212,592
Other comprehensive income for the period	-	-	-	-	3,891	3,891	74,036	77,927
Total comprehensive income for the period	-	-	-	-	216,483	216,483	74,036	290,519
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 December 31, 2024	<b>\$ 549,500</b>	<b>820,363</b>	<b>3,263</b>	<b>2,724</b>	<b>216,504</b>	<b>222,491</b>	<b>89,122</b>	<b>1,681,476</b>

See accompanying notes to consolidated financial statements.

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

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

	<b>2024</b>	<b>2023</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 317,261	184,590
<b>Adjustments:</b>		
Adjustments to reconcile profit		
Depreciation expense	134,078	133,268
Amortization expense	29,099	28,893
Expected credit loss	12,309	10,368
Interest expense	35,876	37,262
Interest income	(9,270)	(11,384)
Share of loss of associates accounted for using equity method	19,574	75
Loss (gain) on disposal of property, plant and equipment	220	1,847
Unrealized profit from sales	2,859	-
Unrealized foreign exchange loss (gain)	(21,502)	34,646
Total adjustments to reconcile profit	203,243	234,975
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Decrease (increase) in notes receivable	18,518	(7,311)
Increase in trade receivable (including from related parties)	(218,675)	(210,868)
Decrease (increase) in other receivables	(1,188)	3,025
Decrease (increase) in inventories	(40,549)	88,731
Decrease in other current assets	12,207	19,597
Increase in net defined benefit assets	(1,250)	(1,291)
Total changes in operating assets	(230,937)	(108,117)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	(24,309)	(169,651)
Increase (decrease) in notes payable	(182)	9
Increase (decrease) in accounts payable (including from related parties)	18,866	(9,838)
Increase (decrease) in other payables	(102,857)	39,755
Increase (decrease) in provisions	(2,495)	7,824
Increase (decrease) in other current liabilities	303	(133)
Total changes in operating liabilities	(110,674)	(132,034)
Total changes in operating assets and liabilities	(341,611)	(240,151)
Total adjustments	(138,368)	(5,176)

(Continued)

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

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

	<b>2024</b>	<b>2023</b>
Cash inflow generated from operations	178,893	179,414
Interest received	6,955	11,384
Interest paid	(37,616)	(35,360)
Income taxes paid	(107,834)	(39,786)
<b>Net cash flows from (used in) operating activities</b>	<b>40,398</b>	<b>115,652</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	(14,944)	(34,889)
Acquisition of property, plant and equipment	(115,932)	(34,767)
Proceeds from disposal of property, plant and equipment	14,705	901
Increase in refundable deposits	(2,699)	(1,452)
Increase in other receivable from related parties	(102,121)	-
Acquisition of intangible assets	(4,775)	(5,137)
Decrease in other non-current assets	27	31
<b>Net cash flows from (used in) investing activities</b>	<b>(225,739)</b>	<b>(75,313)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	430,000	416,461
Decrease in short-term loans	(253,000)	(1,026,861)
Proceeds from long-term borrowings	90,000	929,294
Repayments of long-term borrowings	(53,093)	(414,113)
Payments of lease liabilities	(42,116)	(34,242)
Cash dividends paid	(29,343)	-
<b>Net cash flows from (used in) financing activities</b>	<b>142,448</b>	<b>(129,461)</b>
Effect of exchange rate changes on cash and cash equivalents	14,807	27,389
Net decrease in cash and cash equivalents	(28,086)	(61,733)
Cash and cash equivalents at beginning of period	838,416	900,149
<b>Cash and cash equivalents at end of period</b>	<b>\$ 810,330</b>	<b>838,416</b>

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 years ended December 31, 2024 and 2023**

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

#### **1. Company history**

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

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2025.

#### **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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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"> <li>• A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>• Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>• Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the above-mentioned 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
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

#### **4. Summary of material accounting policies**

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

##### **(a) Statement of compliance**

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

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

(b) Basis of preparation

1) Basis of measurement

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

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

2) Functional and presentation currency

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

(c) Basis of consolidation

1) Principles of preparation of the consolidated financial statements

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

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

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

2) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Main businesses	Percentage of ownership		Note
			December 31, 2024	December 31, 2023	
The Company	Quaser Europe Technical Center AG ("Quaser Europe")	Buys and sells machines	100%	100%	
The Company	Quaser America Machine Tools, Inc. ("Quaser America")	Buys and sells machines	100%	100%	1
The Company	Kunshan Quaser Machine Tools, Inc. ("Kunshan Quaser")	Buys and sells machines	100%	100%	

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

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

Note 1: 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 2: On December 19, 2024 and May 4, 2023, the Company's Board of Directors resolved to increase its investment in the Group's subsidiary, Quaser Europe Gmbh, by \$85,258 thousand and \$120,607 thousand. The relevant registration has been completed.

Note 3: On December 19, 2024, the Group's subsidiary, Winbro UK's Board of Directors resolved to reduce the share capital and return \$41,063 thousand to the shareholders. The relevant registration has been completed.

3) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

1) Foreign currency transactions

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

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

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency, New Taiwan Dollars, at the

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

exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency, New Taiwan Dollars, at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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

The Group classifies the asset 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.

The Group classifies the liability 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 the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

- 1) Financial assets



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

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

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(iv) Derecognition of financial assets**

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

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

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

2) Financial liabilities and equity instruments

i) Classification of debt or equity

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

ii) Equity instrument

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

iii) Financial liabilities

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

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

iv) Derecognition of financial liabilities

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

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

v) Offsetting of financial assets and liabilities

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

3) Derivative financial instruments and hedge accounting

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

(h) Inventories

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

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

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

(i) Investment in associates

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

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

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

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

(j) Property, plant and equipment

1) Recognition and measurement

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

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

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

2) Subsequent expenditure

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

3) Depreciation

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

Land is not depreciated.

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

1)	Buildings and structures	3-17 years
2)	Machinery and equipment	1-17 years
3)	Transportation equipment	1-5 years

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

4)	Molding equipment	2-6 years
5)	Other equipment	1-14 years
6)	The main components and useful lives of buildings and structures are as follows:	
	Components	Useful lives
	<hr/> Main buildings	<hr/> 17 years
	Others	3-16 years

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

(k) Leases

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

1) As a lessee

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

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

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

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

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

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

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

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

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

of the right-of-use asset has been reduced to zero.

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

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

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

2) As a lessor

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

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

(1) Intangible assets

1) Recognition and measurement

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

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

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

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

2) Subsequent expenditure

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

3) Amortization

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

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

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

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

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

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

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

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

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

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

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

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

**(n) Provisions**

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

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

**(o) Revenue**

**1) Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when

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

it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

i) Sale of goods

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

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

ii) Revenue from the rendering of services

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

iii) Financing components

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

(p) Employee benefits

1) Defined contribution plans

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

2) Defined benefit plans

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

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

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



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

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

3) Other long-term employee benefits

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

4) Short-term employee benefits

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

(q) Income taxes

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

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

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

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

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

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

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

- 1) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Valuation of inventory

Inventories are stated at the lower of cost or net realizable value. The Group estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on the assumptions of future demand within a specific time horizon. For the estimation of the valuation of inventory, please refer to note 6(c).

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

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

### 6. Explanation of significant accounts

- (a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Petty cash and cash on hand	\$ 1,104	1,078
Checking and demand deposits	809,226	764,874
Time deposits	-	72,464
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 810,330</u>	<u>838,416</u>

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

- (b) Notes receivable and trade receivable

	December 31, 2024	December 31, 2023
Notes receivable from operating activities	\$ 12,053	30,571
Trade receivables—measured as amortized cost	846,530	681,327
Less: Loss allowance	(24,508)	(21,105)
	<u>\$ 834,075</u>	<u>690,793</u>

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

December 31, 2024			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 687,076	- %	-
1 to 30 days past due	49,334	1.52 %	750
31 to 60 days past due	41,582	6.80 %	2,829
61 to 90 days past due	29,370	11.69 %	3,433
91 to 180 days past due	44,772	25.00 %	11,194
181 to 360 days past due	246	40.24 %	99
More than 361 days past due	6,203	100.00 %	6,203
	<u>\$ 858,583</u>		<u>24,508</u>

  

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

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

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

	<b>2024</b>	<b>2023</b>
Balance at beginning of period	\$ 21,105	11,776
Impairment losses recognized	2,660	10,368
Amounts written off as uncollectible during the period	(74)	-
Effect of exchange rate changes	817	(1,039)
Balance at end of period	<b>\$ 24,508</b>	<b>21,105</b>

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

(c) Inventories

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Raw materials	\$ 474,285	566,667
Work in progress	510,366	323,324
Finished goods	144,077	156,594
Goods	10,966	12,166
	<b>\$ 1,139,694</b>	<b>1,058,751</b>

For the years ended December 31, 2024 and 2023, the amounts recognized as cost of sales in relation to inventories were \$2,192,236 thousand and \$1,983,223 thousand, respectively. For the years ended December 31, 2024 and 2023, the loss for inventory obsolescence from the decrease in inventories' net realizable value amounted to \$12,660 thousand and \$10,857 thousand, respectively. As of December 31, 2024 and 2023, none of the Group's inventories were pledged as collateral.

(d) Investments accounted for using equity method

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Associates	\$ <b>28,054</b>	<b>34,542</b>

- (i) The Group invested in Zhongshan Xuguang Machinery Technology Co., Ltd. in June 2023 with an investment amount of CNY\$8,000 thousand and obtained 40% shareholding of Zhongshan Xuguang Machinery Technology Co., Ltd. The Group has significant influence on Zhongshan Xuguang Machinery Technology Co., Ltd.
- (ii) The Group's subsidiary, Quaser Europe Technical Center GmbH, acquired 43% equity in MWA Magdeburger Werkzeugmaschinen & Automation GmbH (MWA) on May 6, 2024, for EUR 430 thousand. The Group now has significant influence over MWA.

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Carrying amount of individually insignificant associates' equity	\$ <b>28,054</b>	<b>34,542</b>
	<b>2024</b>	<b>2023</b>
Attributable to the Group:		
Loss from continuing operations	(19,574)	(75)
Other comprehensive income (loss)	1,182	(272)
Comprehensive income (loss)	<b>\$ (18,392)</b>	<b>(347)</b>

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

(iii) The Group's unrealized profit from sales to associate Lerinc Werkzeugmaschinen & Automation GmbH (LWA) was \$2,814 thousand, which was recorded under the credit balance of investments accounted for using equity method as of December 31, 2024.

(iv) Collateral

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

(e) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Molding equipment	Other equipment	Construction in progress	Total
<b>Cost:</b>								
Balance at January 1, 2024	\$ 123,978	251,588	1,035,726	3,232	52,421	252,496	2,891	1,722,332
Additions	-	7,401	36,665	-	4,590	5,628	61,648	115,932
Disposals	-	(10,027)	(26,915)	-	-	(39,043)	-	(75,985)
Reclassification	-	1,555	(8,141)	-	-	1,069	(3,014)	(8,531)
Effects of exchange rate changes	-	3,464	60,569	135	-	10,792	1,389	76,349
Balance at December 31, 2024	<u>\$ 123,978</u>	<u>253,981</u>	<u>1,097,904</u>	<u>3,367</u>	<u>57,011</u>	<u>230,942</u>	<u>62,914</u>	<u>1,830,097</u>
Balance at January 1, 2023	\$ 123,978	244,495	992,782	5,627	49,119	245,721	-	1,661,722
Additions	-	5,526	15,791	-	3,302	7,212	2,936	34,767
Disposals	-	-	(6,893)	(1,376)	-	(3,861)	-	(12,130)
Reclassification	-	217	13,250	(1,006)	-	335	-	12,796
Effects of exchange rate changes	-	1,350	20,796	(13)	-	3,089	(45)	25,177
Balance at December 31, 2023	<u>\$ 123,978</u>	<u>251,588</u>	<u>1,035,726</u>	<u>3,232</u>	<u>52,421</u>	<u>252,496</u>	<u>2,891</u>	<u>1,722,332</u>
<b>Accumulated depreciation and impairment loss:</b>								
Balance at January 1, 2024	\$ -	232,341	773,915	2,587	47,906	237,684	-	1,294,433
Depreciation	-	8,960	77,144	170	2,268	6,730	-	95,272
Disposals	-	(9,845)	(12,290)	-	-	(38,925)	-	(61,060)
Reclassification	-	-	(841)	-	-	-	-	(841)
Effects of exchange rate changes	-	2,864	46,318	113	-	10,451	-	59,746
Balance at December 31, 2024	<u>\$ -</u>	<u>234,320</u>	<u>884,246</u>	<u>2,870</u>	<u>50,174</u>	<u>215,940</u>	<u>-</u>	<u>1,387,550</u>
Balance at January 1, 2023	\$ -	223,196	681,044	4,802	46,262	230,111	-	1,185,415
Depreciation	-	8,066	81,924	167	1,644	6,969	-	98,770
Disposals	-	-	(4,677)	(1,376)	-	(3,329)	-	(9,382)
Reclassification	-	-	-	(1,006)	-	1,006	-	-
Effects of exchange rate changes	-	1,079	15,624	-	-	2,927	-	19,630
Balance at December 31, 2023	<u>\$ -</u>	<u>232,341</u>	<u>773,915</u>	<u>2,587</u>	<u>47,906</u>	<u>237,684</u>	<u>-</u>	<u>1,294,433</u>
<b>Carrying amount:</b>								
Balance at December 31, 2024	<u>\$ 123,978</u>	<u>19,661</u>	<u>213,658</u>	<u>497</u>	<u>6,837</u>	<u>15,002</u>	<u>62,914</u>	<u>442,547</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 December 31, 2023	<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>

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

(f) Right-of-use assets

Information about leases was presented below:

	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
<b>Cost:</b>					
Balance at January 1, 2024	\$ 212,032	3,325	16,667	9,451	241,475
Additions	3,805	4,082	12,231	-	20,118
Write-off	-	-	(2,787)	(2,133)	(4,920)
Effects of exchange rate changes	14,338	225	300	596	15,459
Balance at December 31, 2024	<u>\$ 230,175</u>	<u>7,632</u>	<u>26,411</u>	<u>7,914</u>	<u>272,132</u>
Balance at January 1, 2023	\$ 220,022	2,358	13,141	9,452	244,973
Additions	995	2,560	6,919	-	10,474
Write-off	(9,025)	(1,578)	(3,410)	-	(14,013)
Effects of exchange rate changes	40	(15)	17	(1)	41
Balance at December 31, 2023	<u>\$ 212,032</u>	<u>3,325</u>	<u>16,667</u>	<u>9,451</u>	<u>241,475</u>

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

	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
<b>Accumulated depreciation:</b>					
Balance at January 1, 2024	\$ 100,831	990	7,656	5,950	115,427
Depreciation	28,787	945	6,908	2,166	38,806
Write-off	-	-	(2,787)	(2,133)	(4,920)
Effects of exchange rate changes	7,404	82	234	404	8,124
Balance at December 31, 2024	<u>\$ 137,022</u>	<u>2,017</u>	<u>12,011</u>	<u>6,387</u>	<u>157,437</u>
Balance at January 1, 2023	\$ 82,748	1,688	7,142	3,711	95,289
Depreciation	27,446	869	3,909	2,274	34,498
Write-off	(9,025)	(1,578)	(3,410)	-	(14,013)
Effects of exchange rate changes	(338)	11	15	(35)	(347)
Balance at December 31, 2023	<u>\$ 100,831</u>	<u>990</u>	<u>7,656</u>	<u>5,950</u>	<u>115,427</u>
<b>Carrying amount:</b>					
Balance at December 31, 2024	<u>\$ 93,153</u>	<u>5,615</u>	<u>14,400</u>	<u>1,527</u>	<u>114,695</u>
Balance at January 1, 2023	<u>\$ 137,274</u>	<u>670</u>	<u>5,999</u>	<u>5,741</u>	<u>149,684</u>
Balance at December 31, 2023	<u>\$ 111,201</u>	<u>2,335</u>	<u>9,011</u>	<u>3,501</u>	<u>126,048</u>

(g) Goodwill and intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2024 and 2023, were as follows:

	Goodwill	Customer relationship	Developed technology	Software	Technology licenses	Trademarks	Others	Total
<b>Cost:</b>								
Balance at January 1, 2024	\$ 498,206	168,878	79,833	46,267	2,946	231	1,132	797,493
Additions	-	-	-	3,673	1,102	-	-	4,775
Disposals	-	-	-	(30,153)	(181)	-	(632)	(30,966)
Reclassification	-	-	-	(355)	-	-	-	(355)
Effects of exchange rate changes	33,390	11,440	5,408	3,317	-	-	-	53,555
Balance at December 31, 2024	<u>\$ 531,596</u>	<u>180,318</u>	<u>85,241</u>	<u>22,749</u>	<u>3,867</u>	<u>231</u>	<u>500</u>	<u>824,502</u>
Balance at January 1, 2023	\$ 498,287	167,019	77,935	40,625	2,430	127	1,332	787,755
Additions	-	-	-	4,415	586	136	-	5,137
Disposals	-	-	-	(649)	(70)	(32)	(200)	(951)
Effects of exchange rate changes	(81)	1,859	1,898	1,876	-	-	-	5,552
Balance at December 31, 2023	<u>\$ 498,206</u>	<u>168,878</u>	<u>79,833</u>	<u>46,267</u>	<u>2,946</u>	<u>231</u>	<u>1,132</u>	<u>797,493</u>
<b>Accumulated amortization and impairment loss:</b>								
Balance at January 1, 2024	\$ 199,474	46,911	47,520	37,940	1,251	52	942	334,090
Amortization	-	11,779	11,932	4,584	674	23	107	29,099
Disposals	-	-	-	(30,153)	(181)	-	(632)	(30,966)
Effects of exchange rate changes	13,513	3,420	3,464	3,054	-	-	-	23,451
Balance at December 31, 2024	<u>\$ 212,987</u>	<u>62,110</u>	<u>62,916</u>	<u>15,425</u>	<u>1,744</u>	<u>75</u>	<u>417</u>	<u>355,674</u>
Balance at January 1, 2023	\$ 199,507	33,772	34,210	32,055	750	34	774	301,102
Amortization	-	11,432	11,580	4,892	571	50	368	28,893
Disposals	-	-	-	(649)	(70)	(32)	(200)	(951)
Effects of exchange rate changes	(33)	1,707	1,730	1,642	-	-	-	5,046
Balance at December 31, 2023	<u>\$ 199,474</u>	<u>46,911</u>	<u>47,520</u>	<u>37,940</u>	<u>1,251</u>	<u>52</u>	<u>942</u>	<u>334,090</u>
<b>Carrying amount:</b>								
Balance at December 31, 2024	<u>\$ 318,609</u>	<u>118,208</u>	<u>22,325</u>	<u>7,324</u>	<u>2,123</u>	<u>156</u>	<u>83</u>	<u>468,828</u>
Balance at January 1, 2023	<u>\$ 298,780</u>	<u>133,247</u>	<u>43,725</u>	<u>8,570</u>	<u>1,680</u>	<u>93</u>	<u>558</u>	<u>486,653</u>
Balance at December 31, 2023	<u>\$ 298,732</u>	<u>121,967</u>	<u>32,313</u>	<u>8,327</u>	<u>1,695</u>	<u>179</u>	<u>190</u>	<u>463,403</u>

(i) Impairment testing for goodwill

Goodwill amounted \$495,282 thousand arising from the acquisition of Winbro UK on October 31, 2019 was mainly attributable to the expected benefit derived from the considerations paid. According to IAS 36, goodwill acquired in a business combination should be tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each

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

of the Group's cash-generating units or groups of cash-generating units (CGU) that are expected to benefit from the synergies of the combination. Winbro UK itself is a separate CGU that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of Winbro UK with its carrying amount to determine whether an impairment loss should be recognized.

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

Based on the impairment assessment for the years ended December 31, 2024 and 2023, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

The annual discount rates for the years ended December 31, 2024 and 2023, were 11.81% and 11.02%, respectively.

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

	<b>2024</b>	<b>2023</b>
Operating cost	\$ 171	206
Operating expense	28,928	28,687
	<b>\$ 29,099</b>	<b>28,893</b>

- (iii) Collateral

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

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

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Other current assets:		
Prepayments	\$ 40,412	34,450
Others	5,149	21,860
	<b>\$ 45,561</b>	<b>56,310</b>
Other non-current assets:		
Refundable deposits	\$ 6,772	3,981
Others	-	26
	<b>\$ 6,772</b>	<b>4,007</b>

- (i) Short-term borrowings

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Unsecured bank loans	\$ 729,000	552,000
Unused short-term credit lines	\$ 480,000	507,000
Range of interest rates	<b>1.117%~2.075%</b>	<b>1.82%~2.125%</b>

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

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

(j) Lease liabilities

The lease liabilities of the Group were summarized as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Current	\$ <b>39,271</b>	<b>35,948</b>
Non-current	\$ <b>82,662</b>	<b>99,992</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2024</b>	<b>2023</b>
Interest on lease liabilities	\$ <b>4,360</b>	<b>4,935</b>
Expenses relating to short-term leases	\$ <b>5,697</b>	<b>5,779</b>

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

	<b>2024</b>	<b>2023</b>
Total cash outflow for leases	\$ <b>52,173</b>	<b>44,956</b>

(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 5 years.

(k) Other payables

The other payables of the Group were summarized as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Salary and bonus payable	\$ 60,266	66,844
Pensions payable	2,130	1,925
Employee and director compensation payable	21,830	4,763
Commissions payable	22,504	70,030
Others	84,244	139,311
	\$ <b>190,974</b>	<b>282,873</b>

(l) Long-term borrowings

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

<b>December 31, 2024</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	NTD	2.036%~2.22%	2025~2028	\$ 522,201
Secured bank loans-syndicated loan	NTD	2.396%	2028	468,000
				990,201
Less: current portion				(423,524)
Total				\$ <b>566,677</b>
Unused long-term credit lines				\$ <b>822,000</b>



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

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

(i) Syndicated loan

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

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

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

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

As of December 31, 2024 and 2023, the Group was in compliance with the above borrowing covenants.

(ii) Collateral for long-term borrowings

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

(m) Provisions

	<u><b>Warranties</b></u>	<u><b>Employee benefits</b></u>
Balance at January 1, 2024	\$ 21,101	4,668
Provisions made during the year	17,015	11
Provisions used during the year	(19,448)	-
Effects of exchange rate changes	733	-
Balance at December 31, 2024	<b>\$ 19,401</b>	<b>4,679</b>
Balance at January 1, 2023	\$ 13,960	4,106
Provisions made during the year	18,408	562
Provisions used during the year	(11,384)	-
Effects of exchange rate changes	117	-
Balance at December 31, 2023	<b>\$ 21,101</b>	<b>4,668</b>

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

- (i) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The provision is based on estimates made from estimates made from historical warranty trends and may vary because of new materials, altered manufacturing processes or other events affecting product quality.
- (ii) The provision for employee benefits represents vested long-term service compensation made by employees.
- (n) Employee benefits
- (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Present value of the defined benefit obligations	\$ 19,992	20,792
Fair value of plan assets	(47,567)	(42,253)
Net defined benefit assets	<b>\$ (27,575)</b>	<b>(21,461)</b>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$47,001 thousand as of December 31, 2024. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	<b>2024</b>	<b>2023</b>
Defined benefit obligations at January 1	\$ 20,792	22,985
Current service costs and interest	270	345
Remeasurements loss (gain):		
— Actuarial loss (gain) arising from changes in demographic assumptions	-	47
— Actuarial loss (gain) arising from changes in experience adjustments	(158)	(1,240)
— Actuarial loss (gain) arising from changes in financial assumptions	(912)	(67)
Benefits paid	-	(1,278)
Defined benefit obligations at December 31	<b>\$ 19,992</b>	<b>20,792</b>

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

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<b>2024</b>	<b>2023</b>
Fair value of plan assets at January 1	\$ 42,253	41,642
Interest income	556	633
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	3,794	253
Contributions paid by the employer	964	1,003
Benefits paid	-	(1,278)
Fair value of plan assets at December 31	<b>\$ 47,567</b>	<b>42,253</b>

4) Expenses recognized in profit or loss

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

	<b>2024</b>	<b>2023</b>
Net interest of net defined benefit assets	\$ (286)	(288)
Operating cost	\$ (160)	(148)
Selling expenses	(71)	(88)
Administration expenses	(55)	(52)
	<b>\$ (286)</b>	<b>(288)</b>

5) Remeasurement in net defined benefit assets recognized in other comprehensive income

The remeasurement in net defined benefit assets recognized in other comprehensive income for the Group were as follows:

	<b>2024</b>	<b>2023</b>
Accumulated amount at January 1	\$ (12,682)	(14,195)
Recognized during the period	4,864	1,513
Accumulated amount at December 31	<b>\$ (7,818)</b>	<b>(12,682)</b>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Discount rate	1.7%	1.3%
Future salary increase rate	2.5%	2.5%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date for 2024 is \$966 thousand.

The weighted-average lifetime of the defined benefits plans for the year ended December 31, 2024 and 2023 are 11.5 years and 12.2 years, respectively.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

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

	<b>Impact on the defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2024:		
Discount rate	\$ (543)	573
Future salary increasing rate	508	(492)
December 31, 2023:		
Discount rate	(615)	639
Future salary increasing rate	578	(560)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2024 and 2023.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$6,969 thousand and \$6,734 thousand for the years ended December 31, 2024 and 2023, respectively.

Except for the Company, other subsidiaries adopted the defined contribution method under their local law, wherein the pension costs which have been allocated to the foreign pension institutions were amounted to \$27,087 thousand and \$25,846 thousand for the years ended December 31, 2024 and 2023, respectively.

(o) Income taxes

(i) The components of income tax were as follows:

	<b>2024</b>	<b>2023</b>
Current tax expense		
Current period	\$ 89,578	62,105
Adjustment for prior periods	4,465	15,005
	<u>94,043</u>	<u>77,110</u>
Deferred tax expense		
Origination and reversal of temporary differences	10,626	(3,513)
Income tax expense	<u>\$ 104,669</u>	<u>73,597</u>

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

	<b>2024</b>	<b>2023</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ <u>(973)</u>	<u>(303)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (18,509)</u>	<u>(6,311)</u>

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(iii) Reconciliation of income tax and profit before tax were as follows:

	<b>2024</b>	<b>2023</b>
Profit before income tax	\$ 317,261	184,590
Income tax using the Company's domestic tax	\$ 63,452	36,918
Effect of tax rates in foreign jurisdiction	35,083	13,874
Tax-exempt income	-	(4)
Usage of previously unrecognized tax losses	(754)	7,777
Current-year losses for which no deferred tax asset was recognized	2,423	1,654
Adjustments of current income tax for prior periods	4,465	15,005
Change in unrecognized temporary differences	-	(1,627)
Income tax expense	<b>\$ 104,669</b>	<b>73,597</b>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Aggregated amount of temporary differences related to investments in subsidiaries	\$ 207,969	207,969
The carryforward of unused tax losses	85,610	91,808
	<b>\$ 293,579</b>	<b>299,777</b>
Unrecognized deferred tax assets	<b>\$ 58,716</b>	<b>59,955</b>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	<b>Defined benefit plans</b>	<b>Inventory write- down</b>	<b>Unrealized gross profit</b>	<b>Expected credit loss</b>	<b>Loss on foreign investment accounted for using the equity method</b>	<b>Exchange differences on translation of foreign financial statements</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2024</b>	\$ 4,930	7,502	9,927	-	48,909	-	7,924	79,192
Recognized in profit or loss	3	(383)	4,968	2,871	(9,311)	-	(5,526)	(7,378)
Recognized in other comprehensive income	(973)	-	-	-	-	-	-	(973)
<b>Balance at December 31, 2024</b>	<b>\$ 3,960</b>	<b>7,119</b>	<b>14,895</b>	<b>2,871</b>	<b>39,598</b>	<b>-</b>	<b>2,398</b>	<b>70,841</b>
<b>Balance at January 1, 2023</b>	\$ 5,120	7,131	10,313	-	59,686	2,539	8,433	93,222
Recognized in profit or loss	113	371	(386)	-	(10,777)	-	(509)	(11,188)
Recognized in other comprehensive income	(303)	-	-	-	-	(2,539)	-	(2,842)
<b>Balance at December 31, 2023</b>	<b>\$ 4,930</b>	<b>7,502</b>	<b>9,927</b>	<b>-</b>	<b>48,909</b>	<b>-</b>	<b>7,924</b>	<b>79,192</b>

Deferred tax liabilities:

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

	Exchange differences on translation of foreign financial statements	Unrealized exchange gains	Others	Total
<b>Balance at January 1, 2024</b>	\$ 3,772	-	31,057	34,829
Recognized in profit or loss	-	2,998	250	3,248
Recognized in other comprehensive income	18,509	-	-	18,509
Effects of exchange rate changes	-	-	1,889	1,889
<b>Balance at December 31, 2024</b>	<b>\$ 22,281</b>	<b>2,998</b>	<b>33,196</b>	<b>58,475</b>
<b>Balance at January 1, 2023</b>	\$ -	9,649	35,524	45,173
Recognized in profit or loss	-	(9,649)	(5,052)	(14,701)
Recognized in other comprehensive income	3,772	-	-	3,772
Effects of exchange rate changes	-	-	585	585
<b>Balance at December 31, 2023</b>	<b>\$ 3,772</b>	<b>-</b>	<b>31,057</b>	<b>34,829</b>

(v) As of December 31, 2024, the information of the Group's unused tax losses were as follows:

Year of loss	Unused tax loss	Expiry date
2017	\$ 9,250	2037
2018	19,622	2038
2019	30,065	2039
2020	13,015	2040
2021	6,181	2041
2023	5,047	2043
Total	<b>\$ 83,180</b>	

The unused tax loss of the Group's subsidiary, Quaser Europe GmbH, was \$2,430 thousand on December 31, 2024. There were no expiry date for tax loss deductions according to local tax laws.

(vi) Assessment of tax

The Company's income tax returns for the years through 2022 has been assessed by the tax authorities.

(p) Capital and other equity

(i) Common Stock

As of December 31, 2024 and 2023, the Company's government registered total authorized capital both amounted to \$800,000 thousand divided into 80,000 thousand shares of stock with \$10 per share. The outstanding shares of common stock were both \$549,500 thousand with \$10 per share.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2024	December 31, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Premium from issuance of common stock (with cash inflow)	\$ 791,886	791,886
Treasury share transactions	3,139	3,139
<u>May be used to offset a deficit only</u>		
Premium from issuance of common stock (without cash inflow)	18,696	18,696
Expired stock options	6,642	6,642
	<b>\$ 820,363</b>	<b>820,363</b>

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

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of 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 IFRS1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs as endorsed by the FSC, it is stipulated to set aside the same amount of special surplus reserve of \$2,724 thousand were reclassified to retained earnings. A special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately.

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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:

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

On March 11, 2025, the Company's Board of Directors resolved to appropriate the 2024 earnings. These earnings were appropriated as follows:

<b>2024</b>		
	<b>Amount per share (NT dollars)</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders		
Cash	\$ <b>3</b>	<b>164,850</b>

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

	<b>Exchange differences on translation of foreign financial statements</b>
Balance at January 1, 2024	\$ 15,086
Exchange differences on foreign operations	92,545
Income tax	(18,509)
Balance at December 31, 2024	\$ <b>89,122</b>
Balance at January 1, 2023	\$ (10,159)
Exchange differences on foreign operations	31,556
Income tax	(6,311)
Balance at December 31, 2023	\$ <b>15,086</b>

### (q) 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

	<b>2024</b>	<b>2023</b>
Net profit attributable to ordinary shareholders of the Company (basic)	\$ <b>212,592</b>	<b>110,993</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)	<b>54,950</b>	<b>54,950</b>
Basic earnings per share (expressed in NT dollars)	\$ <b>3.87</b>	<b>2.02</b>

#### (ii) Diluted earnings per share



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

	<u>2024</u>	<u>2023</u>
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>212,592</u>	<u>110,993</u>
Weighted average number of ordinary shares outstanding (basic) (in thousands of shares)	54,950	54,950
Effect of dilutive potential ordinary shares		
Effect on employees' compensation	169	69
Weighted average number of ordinary shares outstanding (diluted) (in thousands of shares)	<u>55,119</u>	<u>55,019</u>
Diluted earnings per share (expressed in NT dollars)	\$ <u>3.86</u>	<u>2.02</u>

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2024</u>	<u>2023</u>
<u>Primary geographical markets</u>		
Europe	\$ 1,338,998	1,282,767
Asia	1,025,958	618,013
Americas	861,862	868,313
Others	13,201	1,657
	<u>\$ 3,240,019</u>	<u>2,770,750</u>
<u>Major products/services</u>		
Sales of goods	2,647,224	2,256,732
Rendering of services	592,795	514,018
	<u>\$ 3,240,019</u>	<u>2,770,750</u>

(ii) Contract balances

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities	\$ <u>159,728</u>	<u>178,607</u>	<u>345,740</u>

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

The amount of revenue recognized for the years ended December 31, 2024 and 2023 that was included in the contract liability balance at the beginning of the period were \$154,410 thousand and \$261,468 thousand, respectively.

(s) Employee compensation and directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 5.52% of the profit as employee compensation and less than 2.07% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors.

For the years ended December 31, 2024 and 2023, the Company estimated its employee compensation amounting to \$15,880 thousand and \$3,464 thousand, and directors' remuneration amounting to \$5,950 thousand and \$1,299 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2024 and 2023. The amounts, as stated in the consolidated financial statements, are identical to those of the

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

actual distributions for 2024 and 2023. Related information would be available at the Market Observation Post System website.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2024</b>	<b>2023</b>
Interest income from bank deposits	\$ 6,911	11,384
Other interest income	2,359	-
	<b>\$ 9,270</b>	<b>11,384</b>

(ii) Other income

The details of other income were as follows:

	<b>2024</b>	<b>2023</b>
Rent income	\$ 149	169
Government grants	156	515
Others	632	1,992
	<b>\$ 937</b>	<b>2,676</b>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>2024</b>	<b>2023</b>
Foreign exchange gains	\$ 24,108	673
Losses on disposals of property, plant and equipment	(220)	(1,847)
Others	(1,238)	(47)
	<b>\$ 22,650</b>	<b>(1,221)</b>

(iv) Finance costs

The details of finance costs were as follows:

	<b>2024</b>	<b>2023</b>
Interest expenses-bank loans	\$ 31,505	32,327
Interest expenses-lease liabilities	4,360	4,935
Interest expenses-others	11	-
	<b>\$ 35,876</b>	<b>37,262</b>

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of December 31, 2024 and 2023, the Group's major customers consisted of five customers which accounted for 49% and 51%, respectively, of trade receivable. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of trade receivables and notes receivable, please refer to note 6(b).

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

Other financial assets at amortized cost includes other receivables. The financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Other receivables had no impairment provision for the years ended December 31, 2024 and 2023.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>Over 1 year</u>
<b>December 31, 2024</b>				
Non derivative financial liabilities				
Short-term borrowings	\$ 729,000	731,556	731,556	-
Trade and other payables	421,560	421,560	421,560	-
Long-term borrowings (current portion included)	990,201	1,043,362	443,119	600,243
Lease liabilities (current and non-current)	121,933	122,354	39,525	82,829
	<u>\$ 2,262,694</u>	<u>2,318,832</u>	<u>1,635,760</u>	<u>683,072</u>
<b>December 31, 2023</b>				
Non derivative financial liabilities				
Short-term borrowings	\$ 552,000	553,572	553,572	-
Trade and other payables	468,944	468,944	468,944	-
Long-term borrowings (current portion included)	953,294	1,020,344	3,532	1,016,812
Lease liabilities (current and non-current)	135,940	136,152	36,085	100,067
	<u>\$ 2,110,178</u>	<u>2,179,012</u>	<u>1,062,133</u>	<u>1,116,879</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

(in thousands)

	<b>December 31, 2024</b>			<b>December 31, 2023</b>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>Financial assets</b>						
<u>Monetary items</u>						
EUR	\$ 5,116	34.14	174,657	2,893	33.98	98,315
USD	11,004	32.785	360,779	12,590	30.705	386,579
CNY	921	4.478	4,123	9,727	4.327	42,091
<b>Financial liabilities</b>						
<u>Monetary items</u>						
EUR	288	34.14	9,820	39	33.98	1,318
USD	1	32.785	26	86	30.705	2,638

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables; and trade and other payables that are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the EUR, USD, and CNY as of December 31, 2024

## QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

and 2023, would have increased (decreased) the net profit after tax by \$4,238 thousand and \$4,184 thousand, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for both periods.

#### 3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$24,108 thousand and \$673 thousand, respectively.

#### (iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net income would have increased or decreased by \$4,298 thousand and \$3,763 thousand for the years ended December 31, 2024 and 2023, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

#### (v) Fair value of financial instruments

##### 1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

		December 31, 2024			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 810,330	-	-	-	-
Trade receivables and notes receivable (including from related parties)	945,381	-	-	-	-
Other receivables (including from related parties)	122,017	-	-	-	-
Refundable deposits	6,772	-	-	-	-
Subtotal	<b>\$ 1,884,500</b>	-	-	-	-
<b>Financial liabilities at amortized cost</b>					
Short-term borrowings	\$ 729,000	-	-	-	-
Accounts and notes payable and other payables (including from related parties)	421,560	-	-	-	-
Long-term borrowings (current portion included)	990,201	-	-	-	-
Lease liabilities (current and non-current)	121,933	-	-	-	-
Subtotal	<b>\$ 2,262,694</b>	-	-	-	-

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

**December 31, 2023**

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

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2024 and 2023.

(v) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's hedging strategy for engaging in derivatives trading is mainly based on the Group's stable and safe operations. All derivative transactions entered into by the Group are designated as either hedging or trading. Derivative transactions entered into for hedging purposes must hedge

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

risk against fluctuations in foreign exchange rates and interest rates arising from operating activities. The currencies and the amount of derivative instruments held by the Group must match its hedged assets and liabilities denominated in foreign currencies.

The Group's finance department monitors risks to mitigate risk exposures, reports unsettled position, transaction balances and related gains or losses to the Group's management on a monthly basis.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Trade and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the relevant units within the Group.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2024 and 2023, no other guarantees were outstanding.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2024 and 2023, the Group's unused credit line were amounted to \$480,000 thousand and \$507,000 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily NTD, USD, GBP, and CNY. The currencies used in these transactions are NTD, EUR, USD, GBP, and CNY.

2) Interest rate risk

The Group manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates and by using interest rate swap contracts. The Group regularly evaluates hedging activities to align them with interest rate views and established risk appetite to ensure that the most cost-effective hedging strategies are employed.

(w) Capital management

The Group's objectives for managing capital are to ensure the ability to sustain operations, deliver returns to shareholders, keep the interest of other related parties, and maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Group's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Total liabilities	\$ 2,557,775	2,410,961
Less: cash and cash equivalents	(810,330)	(838,416)
Net debt	1,747,445	1,572,545
Total equity	1,681,476	1,420,300
Total capital	\$ <b>3,428,921</b>	<b>2,992,845</b>
Debt-to-equity ratio	<b>51%</b>	<b>53%</b>

(x) Investing and financing activities not affecting current cash flow

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

- (i) For right-of-use assets under leases, please refer to note 6(f) and (j).
- (ii) Reconciliation of liabilities arising from financing activities were as follows:

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

			Non-cash changes		
			Increase (decrease) for the period	Foreign exchange movement	
	January 1, 2024	Cash flows			December 31, 2024
Short-term borrowings	\$ 552,000	177,000	-	-	729,000
Lease liabilities (current and non-current)	135,940	(42,116)	20,118	7,991	121,933
Long-term borrowings (current portion included)	953,294	36,907	-	-	990,201
Total liabilities from financing activities	<b>\$ 1,641,234</b>	<b>171,791</b>	<b>20,118</b>	<b>7,991</b>	<b>1,841,134</b>

  

			Non-cash changes		
			Increase (decrease) for the period	Foreign exchange movement	
	January 1, 2023	Cash flows			December 31, 2023
Short-term borrowings	\$ 1,162,400	(610,400)	-	-	552,000
Lease liabilities (current and non-current)	159,324	(34,242)	10,474	384	135,940
Long-term borrowings (current portion included)	438,113	515,181	-	-	953,294
Total liabilities from financing activities	<b>\$ 1,759,837</b>	<b>(129,461)</b>	<b>10,474</b>	<b>384</b>	<b>1,641,234</b>

## 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)
MWA Magdeburger Werkzeugmaschinen & Automation GmbH (MWA)	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 related parties were as follows:

<u>Account</u>	<u>Type/Name of related party</u>	<u>2024</u>
	Associate:	
Sale of goods	LWA	\$ 90,420
Sale of goods	Zhongshan Xuguang	2,722
		<b>\$ 93,142</b>

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, respectively.

#### (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>December 31, 2024</u>
	Associate:	
Trade receivable	LWA	\$ 109,816
Trade receivable	Zhongshan Xuguang	1,490
		<b>\$ 111,306</b>



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

Trade receivables due from related parties were not pledged as collateral. As of December 31, 2024, the amount of trade receivables from related parties of the associated company LWA was \$119,332 thousand and the impairment provision recognized during 2024 was \$9,649 thousand. The loss allowance was \$9,516 thousand.

(iii) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Type/Name of related party</u>	<u>December 31, 2024</u>
	Associate:	
Accounts payables	LWA	\$ <u>38</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>2024</u>	
	<u>Disposal price</u>	<u>Disposal gain (loss)</u>
Associate:		
Zhongshan Xuguang	\$ <u>512</u>	<u>512</u>

The Group sold other equipment to the associated company Zhongshan Xuguang in March 2024 for \$512 thousand which was paid as of December 31, 2024. For further property, plant and equipment information, please refer to note 6(e).

(v) Loans to related parties

The loans to related parties were as follows:

<u>Account</u>	<u>Type/Name of related party</u>	<u>December 31, 2024</u>
	Associate:	
Other receivables	LWA	\$ 94,226
Other receivables	MWA	6,487
		\$ <u>100,713</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. As of December 31, 2024, the Company's interest receivable from its associated company LWA was \$2,315 thousand, which was recorded under other receivables due from related parties.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 23,254	13,315
Post-employment benefits	313	394
	\$ <u>23,567</u>	<u>13,709</u>

## 8. Pledged Assets

The carrying values of pledged assets were as follows:

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

<b>Pledged Assets</b>	<b>Subject of pledge guarantee</b>		<b>December 31, 2024</b>	<b>December 31, 2023</b>
Land	Collateral for bank borrowings and credit lines	\$	123,978	123,978
Buildings and structures	Collateral for bank borrowings and credit lines		8,288	10,620
		\$	<b>132,266</b>	<b>134,598</b>

**9. Significant commitments and contingencies**

The Group's unrecognized contractual commitments were as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Acquisition of property, plant and equipment	\$ <b>81,463</b>	<b>-</b>

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

**11. Subsequent events:**

The Company's subsidiary, Quaser Europe Technical Center GmbH, and the Company's associate, Lerinc Werkzeugmaschinen & Automation GmbH, signed a land and building sales contract in January 2025 with a price of EUR \$2,300 thousand for office and sublease purposes. The above amount was paid in February 2025, and the legal registration procedures for the relevant property transfer are still in progress.

**12. Other**

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

<b>By item \ By function</b>		<b>2024</b>			<b>2023</b>		
		<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits							
Salary	\$	343,210	326,404	669,614	353,966	216,206	570,172
Labor and health insurance		46,268	30,671	76,939	49,519	22,620	72,139
Pension		18,642	15,128	33,770	21,508	10,784	32,292
Others		2,638	7,003	9,641	2,373	8,854	11,227
Depreciation		98,445	35,633	134,078	101,705	31,563	133,268
Amortization		171	28,928	29,099	206	28,687	28,893

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

**13. Other disclosures**

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of 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	-	-		1	86,319	-	-	-	-	168,148	672,590
0	The Company	Quaser America	Other receivables	Yes	5,895	-	-		1	-	-	-	-	-	168,148	672,590
0	The Company	Winbro LLC	Other receivables	Yes	71,737	2,394	2,394		1	116,909	-	-	-	-	168,148	672,590
0	The Company	Winbro Ltd	Other receivables	Yes	47,276	26,381	26,381		1	56,823	-	-	-	-	168,148	672,590
0	The Company	LWA	Other receivables	Yes	88,800	85,350	85,350	4.5%	2	-	Operational development	-	-	-	168,148	672,590
1	Quaser Europe	Quaser Europe Gmbh	Other receivables	Yes	45,440	44,016	44,016		1	-	-	-	-	-	177,760	177,760
2	Winbro Ltd	Winbro LLC	Other receivables	Yes	126,978	46,870	46,870		1	112,572	-	-	-	-	2,289,800	2,289,800
2	Winbro Ltd	The Company	Other receivables	Yes	81,734	44,752	44,752		1	25,298	-	-	-	-	2,289,800	2,289,800
3	Winbro LLC	Winbro Ltd	Other receivables	Yes	12,512	-	-		1	4,271	-	-	-	-	1,708,820	1,708,820
3	Winbro LLC	The Company	Other receivables	Yes	2,492	2,492	2,492		1	-	-	-	-	-	1,708,820	1,708,820

**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	99,741	65,985	65,985		1	-	-	-	-	-	436,912	436,912
5	Quaser Europe Gmbh	LWA	Other receivables	Yes	8,876	8,876	8,876	5.26%	2	-	Operational development	-	-	-	16,841	67,364
5	Quaser Europe Gmbh	MWA	Other receivables	Yes	6,487	6,487	6,487	5.26%	2	-	Operational development	-	-	-	16,841	67,364

Note 1: Individual financing amount must be less than 10%, 400%, 400%, 400%, 400% and 10% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LLC's, Quaser America's and Quaser Europe Gmbh's latest net asset value (the Company's net asset value as of December 31, 2024 was \$1,681,476 thousand  $\times$  10% = \$168,148 thousand; Quaser Europe's net asset value as of December 31, 2024 was \$44,440 thousand  $\times$  400% = \$177,760 thousand; Winbro Ltd's net asset value as of December 31, 2024 was \$572,450 thousand  $\times$  400% = \$2,289,800 thousand; Winbro LLC's net asset value as of December 31, 2024 was \$427,205 thousand  $\times$  400% = \$1,708,820 thousand; Quaser America's net asset value as of December 31, 2024 was \$109,228 thousand  $\times$  400% = \$436,912 thousand; Quaser Europe Gmbh's net asset value as of December 31, 2024 was \$168,410 thousand  $\times$  10% = \$16,841 thousand).

Note 2: The maximum amount must be less than 40%, 400%, 400%, 400%, 400% and 40% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LLC's, Quaser America's and Quaser Europe Gmbh's latest net asset value (the Company's net asset value as of December 31, 2024 was \$1,681,476 thousand  $\times$  40% = \$672,590 thousand; Quaser Europe's net asset value as of December 31, 2024 was \$44,440 thousand  $\times$  400% = \$177,760 thousand; Winbro Ltd's net asset value as of December 31, 2024 was \$572,450 thousand  $\times$  400% = \$2,289,800 thousand; Winbro LLC's net asset value as of December 31, 2024 was \$427,205 thousand  $\times$  400% = \$1,708,820 thousand; Quaser America's net asset value as of December 31, 2024 was \$109,228 thousand  $\times$  400% = \$436,912 thousand; Quaser Europe Gmbh's net asset value as of December 31, 2024 was \$168,410 thousand  $\times$  40% = \$67,364 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.

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

(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:

(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/ Trade 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/ Trade payables)	
The Company	Kunshan Quaser	Parent and subsidiary companies	Sale	490,111	15%	T/T 180 days	-	-	70,329	9%	
The Company	Winbro Ltd	Parent and sub-subsidiary companies	Purchase	116,360	5%	T/T 30 days	-	-	(26,681)	(12%)	
The Company	Winbro LLC	Parent and sub-subsidiary companies	Sale	128,535	4%	T/T 180 days	-	-	117,013	14%	
Winbro Ltd	Winbro LLC	Sub-subsidiary companies	Sale	160,959	5%	T/T 120 days	-	-	144,905	18%	

(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 company	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		
The Company	Winbro LLC	Sub-subsidiary company	131,391	1.56	2,394	Accounting for other receivables.	-	-
The Company	LWA	Associate	188,905	1.64	-	-	-	2,123
Winbro Ltd	Winbro LLC	Sub-subsidiary company	144,905	2.11	46,870	Accounting for other receivables.	-	-

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

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

(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	497,135	T/T 180 days	15%
0	The Company	Kunshan Quaser	1	Trade receivable	70,329	T/T 180 days	2%
0	The Company	Quaser Europe GmbH	1	Sales	16,936	T/T 180 days	1%
0	The Company	Winbro Ltd	2	Sales	59,845	T/T 180 days	2%
0	The Company	Winbro Ltd	2	Purchases	116,360	T/T 30 days	4%
0	The Company	Winbro Ltd	2	Trade receivable	18,432	T/T 180 days	-%
0	The Company	Winbro Ltd	2	Accounts payable	26,681	T/T 30 days	1%
0	The Company	Winbro Ltd	2	Other receivables	19,833	T/T 180 days	-%
0	The Company	Winbro Ltd	2	Other income	22,567	T/T 180 days	1%
0	The Company	Winbro LLC	2	Sales	129,347	T/T 180 days	4%
0	The Company	Winbro LLC	2	Trade receivable	117,013	T/T 180 days	3%
0	The Company	Winbro LLC	2	Other receivables	14,378	T/T 180 days	-%
1	Quaser America	Winbro LLC	4	Trade receivable	66,625	T/T 120 days	2%
2	Quaser Europe GmbH	Quaser Europe	3	Accounts payable	43,766	T/T 180 days	1%
3	Winbro Ltd	Winbro LLC	5	Sales	160,959	T/T 120 days	5%
3	Winbro Ltd	Winbro LLC	5	Trade receivable	98,035	T/T 120 days	2%
3	Winbro Ltd	Winbro LLC	5	Other receivables	46,870	T/T 120 days	1%

Note 1: Companies are numbered as follows:

- 1) "0" represents the parent company.
- 2) Subsidiaries are sorted in a numerical order starting from "1".

Note 2: The relationships between transaction parties are numbered as follows:

- 1) "1" represents the transactions from parent company to subsidiary.
- 2) "2" represents the transactions from parent company to sub-subsidiary.
- 3) "3" represents the transactions between subsidiaries.
- 4) "4" represents the transactions from subsidiary to sub-subsidiary.
- 5) "5" represents the transactions between sub-subsidiaries.

(b) Information on investees:

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

The following is the information on investees for the year 2024 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars/Foreign Currencies in Thousands)  
(Unit: Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Amount held at the end of the period			Highest percentage of ownership during the year	Net income (loss) of the investee	Investment income (loss) recognized by the Company (Note 1)	Note
				End of the period	End of the previous year	Shares	Percentage of ownership	Carrying value				
The Company	Quaser Europe	Switzerland	Buys and sells machines	3,076	3,076	1,000	100%	44,440	100%	(310)	(310)	Subsidiary
The Company	Quaser America	America	Buys and sells machines	189,455	189,455	6,000,000	100%	109,228	100%	3,771	3,771	Subsidiary (Note 3)
The Company	Winbro UK	United Kingdom	Overseas reinvested holding company	1,804,141	1,845,204	27,054,625	100%	1,429,617	100%	84,519	40,720	Subsidiary
The Company	Quaser Europe Gmbh	Germany	Buys and sells machines	206,706	121,448	25,000	100%	163,693	100%	(12,115)	(12,115)	Subsidiary
Winbro UK	Winbro Ltd	United Kingdom	Aerospace machinery manufacturing and machining	GBP 90	GBP 90	9,029,804	100%	GBP 13,898	100%	GBP (2,324)	(Note 2)	Sub-subsubsidiary
Winbro UK	Winbro LLC	America	Aerospace machinery manufacturing and machining	USD 33,576	USD 33,576	-	100%	USD 13,031	100%	USD 4,857	(Note 2)	Sub-subsubsidiary
Quaser Europe Gmbh	MWA	Germany	Buys and sells machines	EUR 430	-	42,995	43%	EUR -	43%	EUR (2,602)	(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 Company'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 New Taiwan Dollars/In Thousands of Chinese Yuan/In Thousands of United States Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (loss) recognized	Book value as of December 31, 2024	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Kunshan Quaser (Note)	Buys and sells machines	49,238 (USD 1,500)	The investment was made direct investments in	38,500 (USD 1,280)	-	-	38,500 (USD 1,280)	19,119	100%	100%	19,119	12,734	-

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (loss) recognized	Book value as of December 31, 2024	Accumulated remittance of earnings in current period
					Outflow	Inflow							
			companies in mainland China										
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)	(11,576)	40%	40%	(4,630)	30,868	-

Note : Significant intercompany accounts and transactions have been eliminated.

(ii) Limitation on investment in mainland China:

(In Thousands of New Taiwan Dollars/In Thousands of Chinese Yuan/In Thousands of United States Dollars)

Accumulated Investment in mainland China as of December 31, 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)	1,008,885

(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
<b>Shareholder's Name</b>		
Yeh Chiang Technology Co., Ltd.	12,433,500	22.62 %
Shieh, Raui-Mu	5,432,810	9.88 %
Xude Investment Co., Ltd.	5,107,118	9.29 %



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

**14. Segment information**

(a) General information

The Group has two reportable segments that involved in manufacturing and selling computer numerical control machines and aerospace processing machines respectively.

The reportable segments are the Group's strategic divisions that provide different products and services. Since each reportable segment requires different technologies and marketing strategies, it must be managed separately.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

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

		<b>2024</b>		
		<b>Computer numerical control machines</b>	<b>Aerospace processing machines</b>	<b>Total</b>
Total revenue	\$	<b>1,330,760</b>	<b>1,909,259</b>	<b>3,240,019</b>
Reportable segment profit or loss	\$	<b>88,332</b>	<b>251,522</b>	<b>339,854</b>

  

		<b>2023</b>		
		<b>Computer numerical control machines</b>	<b>Aerospace processing machines</b>	<b>Total</b>
Total revenue	\$	<b>1,140,874</b>	<b>1,629,876</b>	<b>2,770,750</b>
Reportable segment profit or loss	\$	<b>52,516</b>	<b>156,572</b>	<b>209,088</b>

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

(c) Product and service information

Revenue from the external customers of the Group were as follows:

<b>Product and services</b>	<b>2024</b>	<b>2023</b>
Computer numerical control machines	\$ 1,212,936	1,135,101
Aerospace processing machines	1,434,289	1,121,631
Revenue from rendering of services	592,794	514,018
Total	<b>\$ 3,240,019</b>	<b>2,770,750</b>

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

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

<b>Geographical information</b>	<b>2024</b>	<b>2023</b>
Revenue from external customers:		
Asia	\$ 1,025,958	618,013
Europe	1,338,998	1,282,767
America	861,862	868,313
Others	13,201	1,657
Total	<b>\$ 3,240,019</b>	<b>2,770,750</b>

<b>Geographical information</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Non-current assets:		
Asia	\$ 184,491	182,438
Europe	424,136	385,485
America	98,834	150,721
Total	<b>\$ 707,461</b>	<b>718,644</b>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, not including financial instruments, deferred tax assets, goodwill, and pension fund assets.

(e) Major customers

Information on major customers that exceed 10% of operating revenue in the consolidated income statements of the Group for the years ended December 31, 2024 and 2023, were as follows:

	<b>2024</b>	<b>2023</b>
S Company	<b>\$ 105,092</b>	<b>425,590</b>
R Company	<b>\$ 384,021</b>	<b>303,345</b>
G Company	<b>\$ 525,612</b>	<b>327,900</b>