

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Review Report****For the Three Months Ended****March 31, 2023 and 2022****Address: No.3, Gong 6th Rd., Youshih Industrial Park, Dajia Dist Taichung, Taiwan (R.O.C.)****Telephone: (04)2682-1277**

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

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## **Independent Auditors' Review Report**

To the Board of Directors and Shareholders QUASER MACHINE TOOLS, INC.:

### **Introduction**

We have reviewed the accompanying consolidated statements of financial position of Quaser Machine Tools, Inc. and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As stated in Note 4 (b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$248,870 thousand and NT\$119,110 thousand, constituting 6.39% and 3.12% of consolidated total assets as of March 31, 2023 and 2022, respectively, total liabilities amounting to NT\$12,388 thousand and NT\$9,680 thousand, constituting 0.48% and 0.36% of consolidated total liabilities as of March 31, 2023 and 2022, respectively, and total comprehensive income (loss) amounting to NT\$(157) thousand, NT\$(1,033) thousand, constituting (0.69)% and (1.77)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2023 and 2022, respectively.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Quaser Machine Tools, Inc. And its subsidiaries as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of

Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

May 4, 2023

#### **Notes to Readers**

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

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

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

Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Expressed in thousands of New Taiwan Dollar)

Assets	March 31, 2023		December 31, 2022		March 31, 2022		Liabilities and Equity	March 31, 2023		December 31, 2022		March 31, 2022			
	(Reviewed)		(Audited)		(Reviewed)			(Reviewed)		(Audited)		(Reviewed)			
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%		
Current assets:							Current liabilities:								
Cash and cash equivalents (Note 6(a))	\$	806,633	21	900,149	23	817,665	21	Short-term borrowings (Note 6(i) and 8)	\$	1,083,166	28	1,162,400	30	753,400	20
Current financial assets at fair value through profit or loss (Note 6(b))		-	-	-	-	3,977	-	Current financial liabilities at fair value through profit or loss (Note 6(b))		16	-	-	-	-	-
Notes receivable, net (Note 6(c))		10,115	-	23,269	1	53,547	1	Current contract liabilities (Note 6(s))		385,006	10	345,740	9	281,550	7
Accounts receivable, net (Note 6(c))		523,532	13	490,699	12	487,213	13	Notes payable		120	-	162	-	865	-
Other receivables		20,217	1	22,016	1	20,898	1	Accounts payable		223,040	6	195,209	5	278,458	7
Current tax assets		13,158	-	12,811	-	30,550	1	Other payables (Note 6(k))		202,164	5	240,808	6	135,000	4
Inventories (Note 6(d))		1,270,540	33	1,157,309	30	1,039,148	27	Current tax liabilities		55,174	1	20,037	1	-	-
Other current assets (Note 6(h))		53,369	1	75,464	2	27,474	1	Current provisions (Note 6(n))		15,246	-	13,960	-	13,433	-
		2,697,564	69	2,681,717	69	2,480,472	65	Current lease liabilities (Note 6(j))		32,077	1	61,323	2	15,879	1
Non-current assets:								Current portion of Bonds payable (Note 6(m))		-	-	-	-	4,753	-
Property, plant and equipment (Note 6(e) and 8)		469,101	12	476,307	12	551,007	15	Long-term borrowing, current portion (Note 6(l) and 8)		135,327	4	135,224	3	520,907	14
Right-of-use assets (Note 6(f))		140,773	4	149,684	4	179,946	5	Other current liabilities, others		845	-	964	-	13,725	-
Intangible assets (Note 6(g))		180,593	5	187,873	5	194,476	5			2,132,181	55	2,175,827	56	2,017,970	53
Goodwill (Note 6(g))		296,295	8	298,780	8	278,855	7	Non-Current liabilities:							
Deferred tax assets		85,968	2	93,222	2	123,601	3	Long-term borrowings (Note 6(l) and 8)		297,193	8	302,889	8	432,460	11
Net defined benefit assets - non-current		18,853	-	18,657	-	10,940	-	Provisions - non-current (Note 6(n))		4,216	-	4,106	-	5,320	-
Other non-current assets (Note 6(h))		3,950	-	2,608	-	3,012	-	Deferred tax liabilities		35,514	1	45,173	1	40,885	1
		1,195,533	31	1,227,131	31	1,341,837	35	Lease liabilities - non-current (Note 6(j))		118,344	3	98,001	2	166,480	5
										455,267	12	450,169	11	645,145	17
								Total liabilities		2,587,448	67	2,625,996	67	2,663,115	70
								Equity attributable to owners of parent: (Note 6(q))							
								Share capital		549,500	14	549,500	14	549,500	14
								Capital surplus		880,109	22	880,109	22	880,109	23
								Retained earnings		(115,480)	(3)	(136,598)	(3)	(217,708)	(6)
								Other Equity		(8,480)	-	(10,159)	-	(52,707)	(1)
								Total equity		1,305,649	33	1,282,852	33	1,159,194	30
Total assets	\$	3,893,097	100	3,908,848	100	3,822,309	100	Total liabilities and equity	\$	3,893,097	100	3,908,848	100	3,822,309	100

See accompanying notes to consolidated financial statements.

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

**Reviewed only, not audited in accordance with Standards on Auditing****QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the Three Months ended March 31, 2023 and 2022****(Expressed in thousands of New Taiwan Dollar)**

	<b>Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenue (Note 6(s))</b>	\$ 561,134	100	616,281	100
<b>Operating costs (Note 6(d), (o) and 12)</b>	390,130	69	458,067	74
<b>Gross profit from operations</b>	171,004	31	158,214	26
<b>Operating expenses (Note 6(o) and 12)</b>				
Selling expenses	27,751	5	46,451	8
Administrative expenses	66,731	12	71,985	12
Research and development expenses	13,685	2	19,402	3
Expected credit loss (Note 6(c))	3,010	1	8,732	1
<b>Total operating expense</b>	111,177	20	146,570	24
<b>Operating income</b>	59,827	11	11,644	2
<b>Non-operating income and expenses (Note 6(u))</b>				
Interest income	1,598	-	54	-
Other income	772	-	3,267	-
Other gains and losses	1,068	-	30,139	5
Finance costs (Note 6 (j) and (m))	(9,644)	(1)	(7,266)	(1)
	(6,206)	(1)	26,194	4
<b>Profit before income tax</b>	53,621	10	37,838	6
<b>Less: Income tax expenses (Note 6 (p))</b>	32,503	6	4,623	1
<b>Profit for the period</b>	21,118	4	33,215	5
<b>Other comprehensive income:</b>				
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
Exchange differences on translation of foreign financial statements	2,099	-	31,325	5
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6 (p))	(420)	-	(6,265)	(1)
<b>Other comprehensive income for the period, net of tax</b>	1,679	-	25,060	4
<b>Total comprehensive income for the period</b>	\$ 22,797	4	58,275	9
<b>Earnings per share (NT Dollars) (Note 6(r))</b>				
<b>Basic earnings per share</b>	\$ 0.38		0.60	
<b>Diluted earnings per share</b>	\$ 0.38		0.60	

See accompanying notes to consolidated financial statements.

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

**Reviewed only, not audited in accordance with Standards on Auditing**

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

**Consolidated Statements of Changes in Equity**

**For the Three Months ended March 31, 2023 and 2022**

**(Expressed in thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent							Total equity
	Retained earnings					Other equity		
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total	Exchange differences on translation of foreign financial statements	
Balance at January 1, 2022	\$ 549,500	880,109	204,502	2,724	(458,149)	(250,923)	(77,767)	1,100,919
Profit for the period	-	-	-	-	33,215	33,215	-	33,215
Other comprehensive income for the period	-	-	-	-	-	-	25,060	25,060
Total comprehensive income for the period	-	-	-	-	33,215	33,215	25,060	58,275
Balance at March 31, 2022	\$ 549,500	880,109	204,502	2,724	(424,934)	(217,708)	(52,707)	1,159,194
Balance at January 1, 2023	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Profit for the period	-	-	-	-	21,118	21,118	-	21,118
Other comprehensive income for the period	-	-	-	-	-	-	1,679	1,679
Total comprehensive income for the period	-	-	-	-	21,118	21,118	1,679	22,797
Balance at March 31, 2023	\$ 549,500	880,109	-	2,724	(118,204)	(115,480)	(8,480)	1,305,649

See accompanying notes to consolidated financial statements.

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

**Reviewed only, not audited in accordance with Standards on Auditing****QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the Three Months ended March 31, 2023 and 2022****(Expressed in thousands of New Taiwan Dollar)**

	Three Months Ended March 31	
	2023	2022
<b>Cash flows from (used in) operating activities</b>		
Profit before tax	\$ 53,621	37,838
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	31,522	38,213
Amortization expense	7,128	6,617
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	3,010	8,732
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	16	(3,691)
Interest expense	9,644	7,266
Interest income	(1,598)	(54)
Loss (gain) on disposal of property, plan and equipment	-	(4)
Unrealized foreign exchange loss (gain)	8,242	(28,649)
Total adjustments to reconcile profit (loss)	57,964	28,430
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	13,154	(1,397)
Decrease (increase) in accounts receivable	(44,427)	(69,229)
Decrease (increase) in other receivable	3,344	6,364
Adjustments for decrease (increase) in inventories	(113,231)	(62,707)
Adjustments for decrease (increase) in other current assets	22,095	18,317
Decrease (increase) in other operating assets	(196)	(151)
Total changes in operating assets	(119,261)	(108,803)
Changes in operating liabilities		
Increase (decrease) in contract liabilities	39,266	(6,034)
Increase (decrease) in notes payable	(42)	(3,925)
Increase (decrease) in accounts payable	28,141	(18,914)
Increase (decrease) in other payable	(38,704)	32,697
Increase (decrease) in provisions	1,396	1,622
Adjustments for increase (decrease) in other current liabilities	(119)	(176)
Total changes in operating liabilities	29,938	5,270
Total changes in operating assets and liabilities	(89,323)	(103,533)
Total adjustments	(31,359)	(75,103)
Cash inflow (outflow) generated from operations	22,262	(37,265)
Interest received	1,598	54
Interest paid	(9,635)	(7,235)
Income taxes refund (paid)	(148)	2,807
<b>Net cash flows from (used in) operating activities</b>	<b>14,077</b>	<b>(41,639)</b>
<b>Cash flows from (used in) investing activities</b>		
Acquisition of property, plant and equipment	(16,528)	(13,869)
Proceeds from disposal of property, plant and equipment	-	4
Increase in refundable deposits	(1,349)	-
Acquisition of intangible assets	(1,291)	(120)
Decrease in other non-current assets	7	412
<b>Net cash flows from (used in) investing activities</b>	<b>(19,161)</b>	<b>(13,573)</b>
<b>Cash flows from (used in) financing activities</b>		
Increase in short-term loans	171,766	-
Decrease in short-term loans	(251,000)	-
Repayments of long-term debt	(5,593)	(10,580)
Payments of lease liabilities	(8,057)	(9,251)
<b>Net cash flows from (used in) financing activities</b>	<b>(92,884)</b>	<b>(19,831)</b>
Effect of exchange rate changes on cash and cash equivalents	4,452	23,670
Net increase (decrease) in cash and cash equivalents	(93,516)	(51,373)
Cash and cash equivalents at beginning of period	900,149	869,038
<b>Cash and cash equivalents at end of period</b>	<b>\$ 806,633</b>	<b>817,665</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**  
**March 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollar, except for Earnings per Share Information and Unless Otherwise Specified)

**1. Company history**

Quaser Machine Tools, Inc. (the “Company”) was incorporated in May 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 Dist Taichung, Taiwan (R.O.C.). The major business activities of the Company and subsidiaries (together referred to as the "Group") are manufactures and sells computer numerical control (CNC) machine centers, metal-working machines, and related machines.

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 4, 2023.

**3. New standards and interpretations not yet adopted**

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

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

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

- (b) The impact of IFRS 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:

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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

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

These consolidated financial statements have been prepared in accordance with the preparation and

(Continued)

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

### (b) Basis of consolidation

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Quaser Europe Technical Center AG (“Quaser Europe”)	Buys and sells machines	100%	100%	100%	1
The Company	Quaser America Machine Tools, Inc. (“Quaser America”)	Buys and sells machines	100%	100%	100%	2
The Company	Kunshan Quaser Machine Tools, Inc. (“Kunshan Quaser”)	Buys and sells machines	100%	100%	100%	1
The Company	Quaser Europe Technical Center GmbH (“Quaser Europe GmbH”)	Buys and sells machines	100%	100%	100%	1
The Company	Winbro Group UK Limited (“Winbro UK”)	Overseas reinvested holding company	100%	100%	100%	
Winbro UK”	Winbro Group Technologies Limited (“Winbro Ltd”)	Aerospace machinery manufacturing and machining	100%	100%	100%	
Winbro UK”	Winbro Group Technologies LLC (“Winbro LLC”)	Aerospace machinery manufacturing and machining	100%	100%	100%	

Note 1: This is an immaterial subsidiary whose financial statements have not been reviewed.

Note 2: The liquidation of the Group’s subsidiary, Quaser America, was resolved by the Board of Directors. As of March 31, 2023, the relevant procedures are still in process. This is an immaterial subsidiary whose financial statements have not been reviewed.

#### (ii) List of subsidiaries which are not included in the consolidated financial statements: None.

### (c) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

### (d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B 12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(Continued)

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

### 6. Explanation of significant accounts

#### (a) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Petty cash and cash on hand	\$ 1,401	1,229	1,251
Checking and demand deposits	683,432	806,790	816,414
Time deposits	121,800	92,130	-
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 806,633</u>	<u>900,149</u>	<u>817,665</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
<b>Financial assets mandatorily classified as at FVTPL:</b>			
Derivative instruments not used for hedging			
Cross-currency swap contracts	\$ -	-	<u>3,977</u>
<b>Held-for-trading financial liabilities</b>			
Derivative instruments not used for hedging			
Foreign exchange forward contracts	\$ 16	-	-

As of March 31, 2023, December 31, 2022 and March 31, 2022, outstanding foreign exchange forward contracts and cross-currency swap contracts were as follows:

#### (i) Forward exchange contracts:

	<u>March 31, 2023</u>		
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Foreign exchange forward contracts sold	EUR 373 / NTD 12,360	EUR to NTD	23.04.17~23.04.26

#### (ii) Cross-currency swap contracts:

(Continued)

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

**March 31, 2022**

	<u>Contract principal</u>		<u>Interest</u>	<u>Interest</u>
	<u>(in thousands)</u>	<u>Contract period</u>	<u>payable</u>	<u>receivable</u>
Interest rate swap contract	USD 1,000 / NTD 27,755	22.01.25~22.07.25	0%	0.11%
Interest rate swap contract	USD 1,000 / NTD 27,727	22.01.25~22.07.26	0%	0.11%
Interest rate swap contract	USD 1,000 / NTD 27,727	22.01.25~22.07.26	0%	0.11%
Cross-currency swap contract	USD 1,000 / NTD 27,876	21.11.08~22.05.06	0%	0%
Cross-currency swap contract	USD 1,000 / NTD 27,876	21.11.08~22.05.06	0%	0%
Cross-currency swap contract	USD 1,000 / NTD 28,522	22.03.15~22.09.12	0%	0%
Cross-currency swap contract	USD 1,000 / NTD 28,522	22.03.15~22.09.12	0%	0%

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

(c) Accounts receivables and notes receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable from operating activities	\$ 10,115	23,269	53,547
Accounts receivables—at amortized cost	538,392	502,475	503,750
Less: Loss allowance	<u>(14,860)</u>	<u>(11,776)</u>	<u>(16,537)</u>
	<u>\$ 533,647</u>	<u>513,968</u>	<u>540,760</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, 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 were determined as follows:

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

<b>March 31, 2023</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 493,921	- %	-
1 to 30 days past due	6,580	- %	-
31 to 60 days past due	2,456	4.68 %	115
61 to 90 days past due	332	9.94 %	33
91 to 180 days past due	31,951	20.59 %	6,578
181 to 360 days past due	10,266	50.00 %	5,133
More than 361 days past due	<u>3,001</u>	100.00 %	<u>3,001</u>
	<b>\$ <u>548,507</u></b>		<b><u>14,860</u></b>

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

<b>March 31, 2022</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 501,760	- %	-
1 to 30 days past due	17,701	- %	-
31 to 60 days past due	11,869	5.00 %	593
61 to 90 days past due	8,646	10.03 %	867
91 to 180 days past due	1,102	19.96 %	220
181 to 360 days past due	2,723	49.98 %	1,361
More than 361 days past due	<u>13,496</u>	100.00 %	<u>13,496</u>
	<b>\$ <u>557,297</u></b>		<b><u>16,537</u></b>

The movements in the allowance for accounts receivables and notes receivable were as follows:

<b>For the three months ended March 31,</b>		
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 11,776	7,428

(Continued)

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

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Impairment losses recognized	3,010	8,732
Foreign exchange gains/(losses)	74	377
Balance at March 31	<b>\$ 14,860</b>	<b>16,537</b>

None of the receivables was pledged as collateral as of March 31, 2023, December 31, 2022, and March 31, 2022.

(d) Inventories

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Raw materials and consumables	\$ 637,578	658,265	446,087
Work in progress	469,476	365,191	372,910
Finished goods	163,486	133,853	220,151
	<b>\$ 1,270,540</b>	<b>1,157,309</b>	<b>1,039,148</b>

During the three months ended March 31, 2023 and 2022, the write-down of inventories were amounted to \$715 thousand and \$1,978 thousand.

None of the inventories was pledged as collateral as of March 31, 2023, December 31, 2022, and March 31, 2022.

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# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(e) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2023 and 2022 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, 2023	\$	123,978	244,495	922,782	5,627	49,119	245,721	-	1,661,722
Additions		-	-	13,002	-	-	1,541	1,985	16,528
Disposals		-	-	-	-	-	(727)	-	(727)
Reclassification		-	-	648	-	-	(648)	-	-
Effects of foreign currency exchange differences		-	257	993	(8)	-	774	-	2,016
Balance at March 31, 2023	\$	<b>123,978</b>	<b>244,752</b>	<b>1,007,425</b>	<b>5,619</b>	<b>49,119</b>	<b>246,661</b>	<b>1,985</b>	<b>1,679,539</b>
Balance at January 1, 2022	\$	123,978	242,583	973,514	4,345	48,614	239,666	-	1,632,700
Additions		-	-	13,079	-	-	790	-	13,869
Disposals		-	-	-	-	-	(129)	-	(129)
Reclassification		-	-	2,450	1,010	-	(1,010)	-	2,450
Effects of foreign currency exchange differences		-	973	22,014	159	-	1,968	-	25,114
Balance at March 31, 2022	\$	<b>123,978</b>	<b>243,556</b>	<b>1,011,057</b>	<b>5,514</b>	<b>48,614</b>	<b>241,285</b>	<b>-</b>	<b>1,674,004</b>
<b>Accumulated depreciation:</b>									
Balance at January 1, 2023	\$	-	233,196	681,044	4,802	46,262	230,111	-	1,185,415
Depreciation		-	1,910	19,281	42	444	1,697	-	23,374
Disposals		-	-	-	-	-	(727)	-	(727)
Reclassification		-	-	-	-	-	-	-	-
Effects of foreign currency exchange differences		-	253	1,690	(12)	-	445	-	2,376
Balance as of March 31, 2023	\$	<b>-</b>	<b>225,359</b>	<b>702,015</b>	<b>4,832</b>	<b>46,706</b>	<b>231,526</b>	<b>-</b>	<b>1,210,438</b>
Balance as of January 1, 2022	\$	-	213,956	600,142	3,259	44,137	218,171	-	1,079,665
Depreciation		-	2,480	23,164	104	570	2,713	-	29,031
Disposals		-	-	-	-	-	(129)	-	(129)
Reclassification		-	-	-	1,010	-	(1,010)	-	-
Effects of foreign currency exchange differences		-	638	11,969	120	-	1,703	-	14,430
Balance at March 31, 2022	\$	<b>-</b>	<b>217,074</b>	<b>635,275</b>	<b>4,493</b>	<b>44,407</b>	<b>221,448</b>	<b>-</b>	<b>1,122,997</b>
<b>Carrying value:</b>									
Balance at January 1, 2023	\$	<b>123,978</b>	<b>21,299</b>	<b>311,738</b>	<b>825</b>	<b>2,857</b>	<b>15,610</b>	<b>-</b>	<b>476,307</b>
Balance at March 31, 2023	\$	<b>123,978</b>	<b>19,393</b>	<b>305,410</b>	<b>787</b>	<b>2,413</b>	<b>15,135</b>	<b>1,985</b>	<b>469,101</b>
Balance at January 1, 2022	\$	<b>123,978</b>	<b>28,627</b>	<b>373,372</b>	<b>1,086</b>	<b>4,477</b>	<b>21,495</b>	<b>-</b>	<b>553,035</b>
Balance at March 31, 2022	\$	<b>123,978</b>	<b>26,482</b>	<b>375,782</b>	<b>1,021</b>	<b>3,907</b>	<b>19,837</b>	<b>-</b>	<b>551,007</b>

The aforementioned property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

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# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(f) Right-of-use assets

The Group leases many assets including buildings, machinery, vehicles, and other equipment. Information about leases for which the Group is a lessee is presented below:

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
<b>Cost:</b>					
Balance at January 1, 2023	\$ 220,022	2,358	13,141	9,452	244,973
Additions	-	472	-	-	472
Disposal/Write-off	(6,419)	(812)	(2,799)	-	(10,030)
Effects of foreign currency exchange differences	(1,839)	(21)	(49)	(80)	(1,989)
Balance at March 31, 2023	<u><u>\$ 211,764</u></u>	<u><u>1,997</u></u>	<u><u>10,293</u></u>	<u><u>9,372</u></u>	<u><u>233,426</u></u>
Balance at January 1, 2022	\$ 210,899	10,060	13,887	4,502	239,348
Additions	12,473	1,432	1,768	812	16,485
Disposal/Write-off	-	-	(923)	(491)	(1,414)
Reclassification	-	(667)	-	667	-
Effects of foreign currency exchange differences	7,476	359	161	176	8,172
Balance at March 31, 2022	<u><u>\$ 230,848</u></u>	<u><u>11,184</u></u>	<u><u>14,893</u></u>	<u><u>5,666</u></u>	<u><u>262,591</u></u>
<b>Accumulated depreciation and impairment losses:</b>					
Balance at January 1, 2023	\$ 82,748	1,688	7,142	3,711	95,289
Depreciation for the year	6,644	135	814	555	8,148
Disposal/Write-off	(6,419)	(812)	(2,799)	-	(10,030)
Effects of foreign currency exchange differences	(667)	(15)	(41)	(31)	(754)
Balance at March 31, 2023	<u><u>\$ 82,306</u></u>	<u><u>996</u></u>	<u><u>5,116</u></u>	<u><u>4,235</u></u>	<u><u>92,653</u></u>
Balance at January 1, 2022	\$ 58,104	3,072	8,065	3,628	72,869
Depreciation for the year	7,305	318	1,220	339	9,182
Disposal/Write-off	-	-	(923)	(491)	(1,414)
Effects of foreign currency exchange differences	2,503	(146)	(1,116)	(1,465)	2,008
Balance at March 31, 2022	<u><u>\$ 67,912</u></u>	<u><u>3,244</u></u>	<u><u>9,478</u></u>	<u><u>2,011</u></u>	<u><u>82,645</u></u>
<b>Carrying amount:</b>					
Balance at January 1, 2023	<u><u>\$ 137,274</u></u>	<u><u>670</u></u>	<u><u>5,999</u></u>	<u><u>5,741</u></u>	<u><u>149,684</u></u>
Balance at March 31, 2023	<u><u>\$ 129,458</u></u>	<u><u>1,001</u></u>	<u><u>5,177</u></u>	<u><u>5,137</u></u>	<u><u>140,773</u></u>
Balance at January 1, 2022	<u><u>\$ 152,795</u></u>	<u><u>6,988</u></u>	<u><u>5,822</u></u>	<u><u>874</u></u>	<u><u>166,479</u></u>
Balance at March 31, 2022	<u><u>\$ 162,936</u></u>	<u><u>7,940</u></u>	<u><u>5,415</u></u>	<u><u>3,655</u></u>	<u><u>179,946</u></u>

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# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (g) Goodwill and intangible assets

		Goodwill	Customer relationship	Developed Technology	Software	Technology Licenses	Patents	Trademarks	Total
<b>Cost:</b>									
Balance at January 1, 2023	\$	498,287	167,019	77,935	40,625	2,430	127	1,332	787,755
Additions		-	-	-	705	586	-	-	1,291
Effects of foreign currency exchange differences		(4,174)	(1,414)	(660)	520	-	-	-	(5,728)
Balance at March 31, 2023	\$	<b>494,113</b>	<b>165,605</b>	<b>77,275</b>	<b>41,850</b>	<b>3,016</b>	<b>127</b>	<b>1,332</b>	<b>783,318</b>
Balance at January 1, 2022	\$	449,658	150,540	70,246	41,144	2,000	83	2,076	715,747
Additions		-	-	-	120	-	-	-	120
Effects of foreign currency exchange differences		15,171	5,139	2,398	255	-	-	-	22,963
Balance at March 31, 2022	\$	<b>464,829</b>	<b>155,679</b>	<b>72,644</b>	<b>41,519</b>	<b>2,000</b>	<b>83</b>	<b>2,076</b>	<b>738,830</b>
<b>Accumulated amortization and impairment losses</b>									
Balance at January 1, 2023	\$	199,507	33,772	34,210	32,055	750	34	774	301,102
Amortization for the year		-	2,787	2,823	1,260	152	4	102	7,128
Effects of foreign currency exchange differences		(1,689)	(282)	(285)	456	-	-	-	(1,800)
Balance as of March 31, 2023	\$	<b>197,818</b>	<b>36,277</b>	<b>36,748</b>	<b>33,771</b>	<b>902</b>	<b>38</b>	<b>876</b>	<b>306,430</b>
Balance as of January 1, 2022	\$	179,834	20,290	20,554	28,743	650	72	892	251,035
Amortization for the year		-	2,569	2,602	1,232	25	4	185	6,617
Effects of foreign currency exchange differences		6,140	747	757	203	-	-	-	7,847
Balance at March 31, 2022	\$	<b>185,974</b>	<b>23,606</b>	<b>23,913</b>	<b>30,178</b>	<b>675</b>	<b>76</b>	<b>1,077</b>	<b>265,499</b>
<b>Carrying value:</b>									
Balance at January 1, 2023	\$	<b>298,780</b>	<b>133,247</b>	<b>43,725</b>	<b>8,570</b>	<b>1,680</b>	<b>93</b>	<b>558</b>	<b>486,653</b>
Balance at March 31, 2023	\$	<b>296,295</b>	<b>129,328</b>	<b>40,527</b>	<b>8,079</b>	<b>2,114</b>	<b>89</b>	<b>456</b>	<b>476,888</b>
Balance at January 1, 2022	\$	<b>269,824</b>	<b>130,250</b>	<b>49,692</b>	<b>12,401</b>	<b>1,350</b>	<b>11</b>	<b>1,184</b>	<b>464,712</b>
Balance at March 31, 2022	\$	<b>278,855</b>	<b>132,073</b>	<b>48,731</b>	<b>11,341</b>	<b>1,325</b>	<b>7</b>	<b>999</b>	<b>473,331</b>

### (i) Impairment assessment for goodwill

Goodwill amounted \$495,282 thousand arising from the acquisition of Winbro UK on October 31, 2019 was mainly attributable to the expected benefits derived from the considerations paid. According to IAS 36, goodwill from a business combination should be tested for impairment at least annually. Impairment testing of goodwill is allocated to cash-generating units, that are expected to benefit from the synergies of the combination. Winbro UK is a separate cash-generating unit that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount from 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 calculated the value of value-in-use based on the financial projected of cash flows each cash-generating unit for the next five-year with the annual discount rates.

Based on the impairment assessment as of December 31, 2022, no impairment losses were recognized as the recoverable amount of the cash-generating unit was higher than its carrying value.

### (ii) Disclosures on pledges

As of March 31, 2023, December 31, 2022 and March 31, 2022, the intangible assets of the Group had not been pledged as collateral.

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

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other current assets:			
Prepayments	\$ 45,387	58,401	21,944
Other current assets	<u>7,982</u>	<u>17,063</u>	<u>5,530</u>
	<u><b>\$ 53,369</b></u>	<u><b>75,464</b></u>	<u><b>27,474</b></u>
Other non-current assets:			
Refundable deposits	\$ 3,899	2,550	2,928
Other current assets	<u>51</u>	<u>58</u>	<u>84</u>
	<u><b>\$ 3,950</b></u>	<u><b>2,608</b></u>	<u><b>3,012</b></u>

(i) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured bank loans	\$ 859,766	819,000	360,000
Secured bank loans	<u>233,400</u>	<u>343,400</u>	<u>393,400</u>
	<u><b>\$ 1,083,166</b></u>	<u><b>1,162,400</b></u>	<u><b>753,400</b></u>
Unused short-term credit lines	<u><b>\$ 800,000</b></u>	<u><b>700,000</b></u>	<u><b>729,000</b></u>
Range of interest rates	<u><b>1.70%~2.332%</b></u>	<u><b>1.57%~2.325%</b></u>	<u><b>1.00%~1.79%</b></u>

(i) Issuing and repayment the borrowings

For the three months ended March 31, 2023, the Group had the additional short-term borrowings amounting to \$171,766 thousand, with interest rate of 1.70%~2.09%, and will mature from April to September, 2023. There was no such transaction for the three months ended March 31, 2022.

For the three months ended March 31, 2023, the repayment amounted to \$251,000 thousand.

(ii) Collateral for short-term borrowings

For the collateral for bank loans, please refer to note 8.

(j) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current	\$ <u>32,077</u>	<u>61,323</u>	<u>15,879</u>
Non-current	<u><b>\$ 118,344</b></u>	<u><b>98,001</b></u>	<u><b>166,480</b></u>

For the maturity analysis, please refer to Note 6(v).

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ <b>1,177</b>	<b>1,204</b>
Expenses relating to short-term leases Non-current	\$ <b>1,490</b>	<b>236</b>

The amount recognized in the statement of cash flows for the Group was as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	\$ <b>10,724</b>	<b>10,691</b>

(i) Real estate leases

The Group leases buildings for its office space and plants. The leases of office space and plants typically run for 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 transportation, office and other equipment with lease terms of 2 to 6 years. Some lease contracts stipulate that upon the expiration of the lease period, which can extend to the same period as original contracts. The ownership of machinery belongs to the lessee at the end of the lease terms.

(k) Other payables

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Salary and bonus payable	\$ 23,364	72,262	25,303
Pensions payable	1,784	1,950	1,740
Others	177,016	166,596	107,957
	<b>\$ 202,164</b>	<b>240,808</b>	<b>135,000</b>

(l) Long-term borrowings

The details were as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Unsecured bank loans	\$ 67,658	73,252	489,929
Secured bank loans	364,862	364,861	463,438
	432,520	438,113	953,367
Less: current portion	(135,327)	(135,224)	(520,907)

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>297,193</u>	<u>302,889</u>	<u>432,460</u>
Unused credit lines	<u>243,409</u>	<u>242,725</u>	<u>49,050</u>
Range of interest rates	<u>2.4%~3.016%</u>	<u>2.275%~2.757%</u>	<u>0.58%~2.09%</u>

(i) Issuing and repayment the borrowings

There were no additional long-term borrowings for the three months ended March 31, 2023 and 2022. For the three months ended March 31, 2023 and 2022, the repayment amounted to \$5,593 thousand and \$10,580 thousand, respectively.

(ii) Syndicated loan

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

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

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

<u>Financial year</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Leverage ratio	350%	275%	200%	150%	150%

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

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

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

<u>Financial year</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Equity	1,200,000	1,200,000	1,300,000	1,350,000	1,400,000

The Group breached the specific terms of the syndicated loan, which included the leverage ratio, interest coverage ratio and equity limitation in 2021 and the outstanding borrowings was \$463,438

(Continued)

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

thousand in the end of 2021. The management applied for a waiver in January 2022, and obtained majority of banks' consent on March 23, 2022.

(iii) Collateral for long-term borrowings

For the collateral for bank loans, please refer to note 8.

(m) Bonds payable

The details of unsecured convertible bonds were as follows:

	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Total convertible corporate bonds issued	\$ 200,000	200,000
Unamortized discounted corporate bonds payable	-	(47)
Cumulative redeemed amount	(200,000)	(195,200)
Less: current portion	-	(4,753)
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>-</u>
Equity component – conversion options, included in capital surplus – stock options	<u>\$ -</u>	<u>160</u>
Equity component – conversion options, included in capital surplus – expired share options	<u><u>\$ 6,642</u></u>	<u><u>6,482</u></u>
		<b>For the three months ended March 31, 2022</b>
Interest expense		<u>\$ 23</u>

On October 9, 2019, the Company issued 2,000 units of unsecured 3-year convertible bonds, which were paid quarterly with effective interest rate of 0.1582%.

The conversion price was set at \$52.5 per share of issuance. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition changes subsequently. There was no change in the terms of the bonds.

At any time within three months after the issuance date till 40 days before maturity date(from January 10,2020 to August 30,2022), the Company would purchase the outstanding bonds at the face value if the closing price of the Company's common shares is above the conversion price by 30% for successive 30 days, or the outstanding balance of the bonds is less than 10% of total initial issuance value.

Bondholders are entitled to exercise the put options after 2 years from the issuance date, and the put date would be on October 9, 2021. The interest compensation is 101.0025% of face value of convertible bond (the real yield is 0.5%). Upon receipt of a sell request, the Company shall pay the amount to the bondholders by cash within five trading days of the put date.

(n) Provisions

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Current – Warranties	\$ 15,246	13,960	13,433
Non-current –Employee benefits	<u>4,216</u>	<u>4,106</u>	<u>5,320</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>\$ 19,462</u>	<u>18,066</u>	<u>18,753</u>

There were no significant changes in provisions for the three months ended March 31, 2023 and 2022. Please refer to note 6(n) to the consolidated financial statements for the year ended December 31, 2022 for other related information.

(o) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

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

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Operating cost	\$ (47)	(9)
Selling expenses	(13)	(2)
Administration expenses	(12)	(3)
	<u>(72)</u>	<u>(14)</u>

(ii) Defined contribution plans

The Group's expenses for the pension plan contributions to the Bureau of Labor Insurance for the three months ended March 31, 2023 and 2022 were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Operating cost	\$ 747	724
Selling expenses	294	290
Administration expenses	446	441
Research and development expenses	213	209
	<u>1,700</u>	<u>1,664</u>

Except for the Company, other subsidiaries adopted the defined contribution method under their local law, wherein the pension costs amounted to \$6,039 thousand and \$5,312 thousand for the three months ended March 31, 2023 and 2022, respectively. foreign pension institutions

(p) Income tax

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

(i) The components of income tax for the three months ended March 31, 2023 and 2022 were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Current tax expenses		
Current period	\$ 17,742	-
Adjustment for prior periods	17,513	-
	<u>35,255</u>	<u>-</u>
Deferred tax expenses		
Origination and reversal of temporary differences	(2,752)	4,623
	<u>\$ 32,503</u>	<u>4,623</u>

(ii) The amounts of income tax recognized in other comprehensive income for the three months ended March 31, 2023 and 2022 were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	\$ (420)	(6,265)

The Company's income tax returns for the year through 2021 has been assessed by the tax authorities. However, the Company's income tax returns for through 2020 is still on assessment.

(q) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to March 31, 2023 and 2022. For the related information, please refer to note 6(q) to the consolidated financial statements for the year ended December 31, 2022.

(i) Retained earnings

The Company's Articles of Incorporation stipulate that Company's net earnings semiannually should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors. When it is distributed in cash, it should be authorized by the Board of Directors and reported to the shareholders meeting only.

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,

(Continued)



# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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 IFRS as endorsed by the FSC, it is stipulated to set aside the same amount of special surplus reserve of \$2,724 thousand were reclassified to retained earnings. A special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately.

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

### 3) Earnings distribution

The Company’s appropriations of earnings for 2022 had been approved in the meeting of the board of directors held on March 24, 2023. No dividends will be distributed to the shareholders due to accumulated deficit as of December 31, 2022. The appropriations of earnings for 2022 are to be presented for approval in the Company’s annual shareholders’ meeting to be held on June 15, 2023.

The shareholders’ meeting held on June 16, 2022, resolved no dividends distributed to the shareholders.

### (ii) OCI accumulated in reserves, net of tax

	<b>Exchange differences on translation of foreign financial statements</b>
Balance at January 1, 2023	\$ (10,159)
Exchange differences on foreign operations	2,099
Income tax effect	(420)
Balance at March 31, 2023	<b>\$ (8,480)</b>
Balance at January 1, 2022	\$ (77,767)
Exchange differences on foreign operations	31,325
Income tax effect	(6,265)
Balance at March 31, 2022	<b>\$ (52,707)</b>

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

(r) Earnings per share

For the three months ended March 31, 2023 and 2022, the Company's earnings per share were calculated as follows:

(i) Basic earnings per share

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Profit attributable to ordinary shareholders of the Company	<b>\$ 21,118</b>	<b>33,215</b>
Weighted-average number of ordinary shares (in thousands of shares)	<b>54,950</b>	<b>54,950</b>
Basic earnings per share (in NT dollars)	<b>\$ 0.38</b>	<b>0.60</b>

(ii) Diluted earnings per share

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Profit attributable to ordinary shareholders of the Company (basic)	\$ 21,118	33,215
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	-	18
Profit attributable to ordinary shareholders of the Company (diluted)	<b>\$ 21,118</b>	<b>33,233</b>
Weighted-average number of ordinary shares (in thousands of shares)	54,950	54,950
Effect of dilutive potential ordinary shares		
Effect of convertible preference shares	-	95
Weighted-average number of ordinary shares (diluted) at March 31 (in thousands of shares)	<b>54,950</b>	<b>55,045</b>
Diluted earnings per share (in NT dollars)	<b>\$ 0.38</b>	<b>0.60</b>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

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

		<b>For the three months ended March 31,</b>	
		<b>2023</b>	<b>2022</b>
<u>Primary geographical markets</u>			
Asia	\$	79,364	116,302
Europe		310,657	323,030
Americas		170,636	176,745
Other		477	204
	<b>\$</b>	<b>561,134</b>	<b>616,281</b>
<u>Major products/services lines</u>			
Revenue from sales of goods	\$	472,481	546,794
Revenue from rendering of services		88,653	69,487
	<b>\$</b>	<b>561,134</b>	<b>616,281</b>

(ii) Contract balances

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Contract liabilities	<b>\$ 385,006</b>	<b>345,740</b>	<b>281,550</b>

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

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

(t) Remunerations to employees and directors

According to the Articles of Incorporation, once the Company has annual profit, it should appropriate no less than 5.52% of the profit to its employees and no more than 2.07% to its directors as remuneration, after offsetting accumulated deficits, if any.

There were profit before tax as of March 31, 2023 and 2022, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. In addition, there were profit before tax for the year ended December 31, 2022, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. For the year ended December 31, 2021, the Company decided not to accrue for employee and directors' compensation due to the deficit incurred by the Company in 2021. The information is available on the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

(Continued)

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

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	\$ 1,598	54

(ii) Other income

The details of other income were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Rent income	\$ 33	32
Government grants	428	138
Others	311	3,097
	<b>\$ 772</b>	<b>3,267</b>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Gains on disposals of property, plant and equipment	\$ -	4
Foreign exchange gains (losses)	1,089	26,452
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(16)	3,691
Others	(5)	(8)
	<b>\$ 1,068</b>	<b>30,139</b>

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest expenses-bank loans	\$ 8,467	6,039
Interest expenses-convertible bonds	-	23
Interest expenses-lease liabilities	1,177	1,204
	<b>\$ 9,644</b>	<b>7,266</b>

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(v) to the consolidated financial statements for the year ended December 31, 2022.

(i) Credit risk

1) Credit risk exposure

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

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

2) Concentration of credit risk

As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group's major customers consisted of five customers which accounted for 66%, 61% and 63%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Receivables and debt securities

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

Other financial assets at amortized cost include other receivables, which is considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. As of March 31, 2023, December 31, 2022 and March 31, 2022, there were no expected credit losses for other receivables.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 year above</u>
<b>March 31, 2023</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,083,166	1,089,465	1,089,465	-
Accounts payable	425,324	425,324	425,324	-
Long-term borrowings (current portion included)	432,520	443,531	142,757	300,774
Lease liabilities (current and non-current)	150,421	150,504	32,131	118,373
	<u>\$ 2,091,431</u>	<u>2,108,824</u>	<u>1,689,677</u>	<u>419,147</u>
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 year above</u>
<b>December 31, 2022</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,162,400	1,170,191	1,170,191	-
Accounts payable	436,179	436,179	436,179	-
Long-term borrowings (current portion included)	438,113	451,278	143,277	308,001
Lease liabilities (current and non-current)	159,324	159,426	61,385	98,041
	<u>\$ 2,196,016</u>	<u>2,217,074</u>	<u>1,811,032</u>	<u>406,042</u>
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 year above</u>
<b>March 31, 2022</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 753,400	753,400	753,400	-
Accounts payable	414,323	414,323	414,323	-
Long-term borrowings (current portion included)	953,367	973,737	530,779	442,958
Lease liabilities (current and non-current)	182,359	186,854	20,215	166,639

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 year above</u>
<b>March 31, 2022</b>				
Bonds payable (current portion included)	4,753	4,800	4,800	-
	<b>\$ 2,308,202</b>	<b>2,333,114</b>	<b>1,723,517</b>	<b>609,597</b>

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

(iii) Market risk

1) Currency risk

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

		<b>March 31, 2023</b>			<b>December 31, 2022</b>			<b>March 31, 2022</b>		
		<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
<b>Financial assets</b>										
<b><u>Monetary items</u></b>										
EUR	\$	10,094	33.15	334,606	9,897	32.72	323,827	12,844	31.92	409,991
USD		17,416	30.45	530,314	15,544	30.71	477,349	12,216	28.63	349,685
CNY		7,963	4.431	35,282	7,958	4.408	35,079	8,680	4.506	39,113
<b>Financial liabilities</b>										
<b><u>Monetary items</u></b>										
EUR		88	33.15	2,907	284	32.72	9,301	357	31.92	11,386
USD		3,081	30.45	93,817	2,659	30.71	81,650	1,134	28.63	32,451

The Group's exposure to foreign currency risk arises from the conversion of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, financial assets at fair value through profit or loss, loans and borrowings, and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the EUR, USD, and CNY as of March 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$6,428 thousand and \$6,039 thousand, respectively. The analysis assumes that all other variables remain consistent and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$1,089 thousand and \$26,452 thousand, respectively.

2) Interest rate analysis

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

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# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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 liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net income would have increased or decreased by \$3,789 thousand and \$4,267 thousand for the three months ended March 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(iv) Fair value of financial instruments

1) Types and fair value of financial instruments

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:

<b>March 31, 2023</b>					
	<b>Book Value</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 806,633	-	-	-	-
Accounts receivables and notes receivable	533,647	-	-	-	-
Other receivables	20,217	-	-	-	-
Subtotal	<b>\$ 1,360,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities mandatorily measured at fair value through profit or loss	<b>\$ 16</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>16</b>
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 1,083,166	-	-	-	-
Accounts and notes payable and other payables	425,324	-	-	-	-
Long-term borrowings (current portion included)	432,520	-	-	-	-
Lease liabilities (current and non-current)	150,421	-	-	-	-
Subtotal	<b>\$ 2,091,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**December 31, 2022**

		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 900,149	-	-	-	-
Accounts receivables and notes receivable	513,968	-	-	-	-
Other receivables	22,016	-	-	-	-
Subtotal	\$ 1,436,133	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 1,162,400	-	-	-	-
Accounts and notes payable and other payables	436,179	-	-	-	-
Long-term borrowings (current portion included)	438,113	-	-	-	-
Lease liabilities (current and non-current)	159,324	-	-	-	-
Subtotal	\$ 2,196,016	-	-	-	-

**March 31, 2022**

		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	\$ 3,977	-	3,977	-	3,977
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 817,665	-	-	-	-
Accounts receivables and notes receivable	540,760	-	-	-	-
Other receivables	20,898	-	-	-	-
Subtotal	\$ 1,379,323	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 753,400	-	-	-	-
Accounts and notes payable and other payables	414,323	-	-	-	-
Long-term borrowings (current portion included)	953,367	-	-	-	-
Lease liabilities (current and	182,359	-	-	-	-

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

March 31, 2022				
	Fair Value			
	Book Value	Level 1	Level 2	Level 3
				Total
non-current)				
Bonds payable (current portion included)	4,753	-	-	-
Subtotal	<b>\$ 2,308,202</b>	-	-	-

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

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

2.1) Financial assets measured at amortized cost

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

2.2) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

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

4) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the three months ended March 31, 2023 and 2022.

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) to the consolidated financial statements for the year ended December 31, 2022.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to note 6(x) to the consolidated financial statements for the year ended December 31, 2022 for further details.

(Continued)

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

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

The Group's investing and financing activities, which did not affect the current cash flow in the three months ended March 31, 2023 and 2022, were as follows:

(i) Acquisition of right-of-use assets through lease, please refer to note 6(j).

(ii) Reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes		
	January 1, 2023	Cash flows	Increase (decrease) for the period	Foreign exchange movement	March 31, 2023
Short-term borrowings	\$ 1,162,400	(79,234)	-	-	1,083,166
Lease liabilities (current and non-current)	159,324	(8,057)	472	(1,318)	150,421
Long-term borrowings (current portion included)	438,113	(5,593)	-	-	432,500
Total liabilities from financing activities	<b>\$ 1,759,837</b>	<b>(92,884)</b>	<b>472</b>	<b>(1,318)</b>	<b>1,666,107</b>

			Non-cash changes		
	January 1, 2022	Cash flows	Increase (decrease) for the period	Foreign exchange movement	March 31, 2022
Short-term borrowings	\$ 753,400	-	-	-	753,400
Lease liabilities (current and non-current)	167,367	(9,251)	16,485	7,758	182,359
Long-term borrowings (current portion included)	963,659	(10,580)	-	288	953,367
Total liabilities from financing activities	<b>\$ 1,884,426</b>	<b>(19,831)</b>	<b>16,485</b>	<b>8,046</b>	<b>1,889,126</b>

## 7. Related-party transactions

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2023	2022
Short-term employee benefits	\$ 2,836	3,705
Post-employment benefits	153	164
Other long-term benefits	-	14
	<b>\$ 2,989</b>	<b>3,883</b>

## 8. Assets pledged as security

The carrying amounts of assets pledged as security were as follows:

(Continued)

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

Assets pledged as security	Liabilities secured by pledge	March 31, 2023	December 31, 2022	March 31, 2022
Land	Collateral for long-term borrowings and credit lines	\$ 123,978	123,978	123,978
Buildings and Construction	Collateral for long-term borrowings and credit lines	6,721	7,637	10,387
		<u>\$ 130,699</u>	<u>131,615</u>	<u>134,365</u>

**9. Significant commitments and contingencies**

The Group's unrecognized contractual commitments were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Acquisition of property, plant and equipment	<u>\$ 1,493</u>	<u>3,234</u>	<u>-</u>

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

**11. Subsequent events: None.**

**12. Others**

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

By function  By item		For the three months ended March 31,					
		2023			2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary	\$	80,298	39,694	119,992	78,134	42,258	120,392
Labor and health insurance		11,768	6,643	18,411	10,715	4,943	15,658
Pension		4,874	2,793	7,667	4,683	2,279	6,962
Others		526	1,411	1,937	523	1,648	2,171
Depreciation		23,512	8,010	31,522	29,728	8,485	38,213
Amortization		21	7,107	7,128	52	6,565	6,617

(b) Seasonality of operations

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

**13. Other disclosure items**

(a) Information on significant transaction:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2023:

(i) Financing provided to other parties:

(Continued)

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Amounts in Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial statement account	Related parties	Highest balance for the period	Ending balance	Actual borrowing amount	Interest rate	Nature of financing (Note 3)	Business transaction amount (Note 4)	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrower (Note 1)	Aggregate financing limits (Note 2)
													Item	Value		
0	The Company	Quaser Europe GmbH	Other receivables	Yes	53,245	53,245	53,245		1	90,147	-	-	-	-	128,285	513,141
0	The Company	Kunshan Quaser	Other receivables	Yes	21,333	15,362	15,362		1	42,966	-	-	-	-	128,285	513,141
0	The Company	Quaser America	Other receivables	Yes	-	-	-		1	119,632	-	-	-	-	128,285	513,141
0	The Company	Winbro LLC	Other receivables	Yes	17,878	17,878	17,878		1	81,249	-	-	-	-	128,285	513,141
0	The Company	Winbro Ltd	Other receivables	Yes	3,421	3,089	3,089		1	48,151	-	-	-	-	128,285	513,141
1	Winbro Ltd	Winbro LLC	Other receivables	Yes	6,745	6,745	6,745		1	86,985	-	-	-	-	1,706,492	1,706,492
1	Winbro LLC	Winbro Ltd	Other receivables	Yes	6,564	6,564	6,564		1	479	-	-	-	-	1,236,352	1,236,352

Note 1: Individual financing amount must be less than 10%, 400% and 400% of the Company's, Winbro Ltd's and Winbro LLC's latest net asset value (the Company's net asset value as of December 31, 2022 was \$1,282,852 thousand  $\times 10\% = \$128,285$  thousand; Winbro Ltd's net asset value as of December 31, 2022 was \$426,623 thousand  $\times 400\% = \$1,706,492$  thousand; Winbro LLC's net asset value as of December 31, 2022 was \$309,088 thousand  $\times 400\% = \$1,236,352$  thousand).

Note 2: The maximum amount must be less than 40%, 400% and 400% of the Company's, Winbro Ltd's and Winbro LLC's latest net asset value (the Company's net asset value as of December 31, 2022 was \$1,282,852 thousand  $\times 40\% = \$513,141$  thousand; Winbro Ltd's net asset value as of December 31, 2022 was \$426,623 thousand  $\times 400\% = \$1,706,492$  thousand; Winbro LLC's net asset value as of December 31, 2022 was \$309,088 thousand  $\times 400\% = \$1,236,352$  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) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included): None.
- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.
- (v) Information regarding acquisition of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

(Continued)

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

- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.
- (vii) Information regarding related-party purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital: None.
- (viii) Information regarding receivables from related parties exceeding 100 million or 20% of the Company's paid-in capital: None.
- (ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2023:

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Intercompany transactions			
				Account	Amount	Terms	Percentage of total consolidated net sales or assets
0	The Company	Kunshan Quaser	1	Accounts receivable	18,651	T/T 180 days	- %
0	The Company	Kunshan Quaser	1	Other receivables	15,314	T/T 180 days	- %
0	The Company	Quaser America	1	Accounts receivable	31,778	T/T 180 days	1 %
0	The Company	Quaser America	1	Other receivables	20,947	T/T 180 days	1 %
0	The Company	Quaser Europe Gmbh	1	Sales	40,033	T/T 180 days	7 %
0	The Company	Quaser Europe Gmbh	1	Accounts receivable	64,218	T/T 180 days	2 %
0	The Company	Quaser Europe Gmbh	1	Other receivables	58,349	T/T 180 days	1 %
0	The Company	Winbro Ltd	1	Accounts receivable	13,860	T/T 120 days	- %
0	The Company	Winbro Ltd	1	Other receivables	5,463	T/T 120 days	- %
0	The Company	Winbro Ltd	1	Accounts payable	88,304	T/T 30 days	2 %
0	The Company	Winbro LLC	1	Sales	18,390	T/T 120 days	3 %
0	The Company	Winbro LLC	1	Accounts receivable	36,311	T/T 120 days	1 %
0	The Company	Winbro LLC	1	Other receivables	18,129	T/T 120 days	- %
1	Winbro Ltd	Winbro LLC	2	Sales	26,834	T/T 90 days	5 %
1	Winbro Ltd	Winbro LLC	2	Accounts receivable	79,119	T/T 90 days	2 %
1	Winbro LLC	Winbro Ltd	2	Accounts receivable	8,582	T/T 90 days	- %

Note 1: Companies are numbered as follows:

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

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

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

(b) Information on investments:

The followings are the information on investees for the three months ended March 31, 2023 (excluding information on investees in Mainland China):

(Continued)

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Thousands)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of March 31, 2023			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				March 31, 2023	December 31, 2022	Shares	Percentage	Carrying value			
The Company	Quaser Europe	Switzerland	Buys and sells machines	3,076	3,076	1,000	100.00%	43,330	(163)	(163)	Subsidiary
The Company	Quaser America	America	Buys and sells machines	189,455	189,455	6,000,000	100.00%	102,415	(135)	(135)	Subsidiary
The Company	Winbro UK	United Kingdom	Overseas reinvested holding company	1,845,204	1,845,204	1,425,000	100.00%	1,278,821	11,153	942	Subsidiary
The Company	Quaser Europe GmbH	Germany	Buys and sells machines	841	841	25,000	100.00%	(26,952)	1,038	1,038	Subsidiary
Winbro UK	Winbro Ltd	United Kingdom	Aerospace machinery manufacturing and machining	GBP 90	GBP 90	9,029,804	100.00%	GBP 13,258	GBP (378)	(Note 2)	Subsidiary
Winbro UK	Winbro LLC	America	Aerospace machinery manufacturing and machining	USD 33,576	USD 33,576	-	100.00%	USD 8,314	USD 696	(Note 2)	Subsidiary

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: According to regulations, it does not need to fill out.

Note 3: The liquidation of the Group's subsidiary, Quaser America, was resolved by the Board of Directors. As of March 31, 2023, the relevant procedures are still in process.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(Amounts in Thousands of New Taiwan Dollars/In Thousands of United States Dollars)

Investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment		Accumulated outflow of investment from Taiwan as of March 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (loss) recognized	Carrying value as of March 31, 2023	Accumulated inward remittance of earnings as of March 31, 2023
					Outflow	Inflow						
Kunshan Quaser	Buys and sells machines	49,238 (USD 1,500)	The investment was made direct investments in companies in mainland China	38,500 (USD 1,280)	-	-	38,500 (USD 1,280)	(896)	100%	(896)	2,162	-

Note: The above inter-company transactions have been eliminated when preparing the consolidated financial statements.

(ii) Upper limit on investment in Mainland China:

Accumulated investment in Mainland China as of March 31, 2023	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment
NTD\$38,500 (USD\$ 1,280)	NTD\$38,500 (USD\$ 1,280)	783,389

(iii) Significant inter-company transactions with the subsidiary in Mainland China

(Continued)

# QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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 Shareholder's Name	Shares	Percentage
Yeh Chiang Technology Co., Ltd.	12,433,500	22.62 %
Shieh, Raui-Mu	5,572,310	10.14 %
Xude Investment Co., Ltd. (旭德投資股份有限公司)	5,107,118	9.29 %

### 14. Segment information

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

For the three months ended Mar 31, 2023			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 259,530	301,604	561,134
Reportable segment profit or loss	\$ 27,327	32,500	59,827
For the three months ended Mar 31, 2022			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 376,101	240,180	616,281
Reportable segment profit or loss	\$ 5,573	6,071	11,644

Segment revenue reported above represents revenue generated from external customers. The intersegment sales had been eliminated for the years ended March 31, 2023 and 2022.

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