

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report

For the Six Months Ended June 30, 2023 and 2022

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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 of Quaser Machine Tools, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Quaser Machine Tools, Inc. and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 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) to the consolidated financial statements, the financial statements of certain non-significant subsidiaries included in the consolidated financial statements were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$238,600 thousand and NT\$128,368 thousand, constituting 6.08% and 3.36% of the consolidated total assets as of June 30, 2023 and 2022, respectively, and total liabilities amounting to NT\$47,509 thousand and NT\$11,740 thousand, constituting 1.88% and 0.45% of the consolidated total liabilities as of June 30, 2023 and 2022, respectively, and total comprehensive income (loss) amounting to NT\$(3,442) thousand, NT\$1,792 thousand, NT\$(3,599) thousand, and NT\$759 thousand, constituting (4.13)%, 4.78%, (3.39)% and 0.79% of the consolidated total comprehensive income (loss) for the three months and the six months ended June 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Quaser Machine Tools, Inc. and its subsidiaries in its investee company of NT\$34,256 thousand as of June 30, 2023, and its equity in net earnings (loss) on this investee company of both NT\$0 thousand for the three months and the six months ended June 30, 2023, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Quaser Machine Tools, Inc. and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and

International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

August 3, 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)

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2023, December 31 and June 30, 2022

(Expressed in thousands of New Taiwan Dollar)

Assets	June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
Cash and cash equivalents (Note 6(a))	\$ 773,497	20	900,149	23	761,660	20	Short-term borrowings (Note 6(j) and 8)	\$ 1,161,762	30	1,162,400	30	733,400	19
Current financial assets at fair value through profit or loss (Note 6(b))	-	-	-	-	8,545	-	Current financial liabilities at fair value through profit or loss (Note 6(b))	107	-	-	-	67	-
Notes receivable, net (Note 6(c))	10,768	-	23,269	1	74,656	2	Current contract liabilities (Note 6(t))	291,875	7	345,740	9	327,861	9
Trade receivable, net (Note 6(c))	523,492	13	490,699	12	477,049	13	Notes payable	80	-	162	-	3,564	-
Other receivables	29,859	1	22,016	1	27,294	1	Accounts payable	214,416	6	195,209	5	296,170	8
Current tax assets	15,074	-	12,811	-	6,718	-	Other payables (Note 6(l))	246,361	6	240,808	6	141,251	4
Inventories (Note 6(d))	1,249,862	32	1,157,309	30	1,105,015	29	Current tax liabilities	33,727	1	20,037	1	-	-
Other current assets (Note 6(i))	91,788	3	75,464	2	49,284	1	Current provisions (Note 6(o))	16,684	-	13,960	-	16,482	-
	2,694,340	69	2,681,717	69	2,510,221	66	Current lease liabilities (Note 6(k))	33,218	1	61,323	2	31,749	1
Non-current assets:							Current portion of bonds payable (Note 6(n))	-	-	-	-	4,775	-
Investments accounted for using equity method (Note 6(e))	34,256	1	-	-	-	-	Long-term borrowing, current portion (Note 6(m) and 8)	135,461	4	135,224	3	505,094	13
Property, plant and equipment (Note 6(f) and 8)	471,655	12	476,307	12	536,149	14	Other current liabilities	800	-	964	-	9,681	-
Right-of-use assets (Note 6(g))	138,837	3	149,684	4	164,669	4		2,134,491	55	2,175,827	56	2,070,094	54
Intangible assets (Note 6(h))	179,461	5	187,873	5	194,680	5	Non-Current liabilities:						
Goodwill (Note 6(h))	302,889	8	298,780	8	289,319	8	Long-term borrowings (Note 6(m) and 8)	235,112	6	302,889	8	370,482	10
Deferred tax assets	77,688	2	93,222	2	109,031	3	Provisions - non-current (Note 6(o))	4,326	-	4,106	-	5,464	-
Net defined benefit assets	19,182	-	18,657	-	11,196	-	Deferred tax liabilities	43,705	1	45,173	1	40,917	1
Other non-current assets (Note 6(i))	3,971	-	2,608	-	3,671	-	Lease liabilities - non-current (Note 6(k))	115,594	3	98,001	2	135,261	4
	1,227,939	31	1,227,131	31	1,308,715	34		398,737	10	450,169	11	552,124	15
							Total liabilities	2,533,228	65	2,625,996	67	2,622,218	69
							Equity attributable to owners of parent (Note 6(r)):						
							Common stock	549,500	14	549,500	14	549,500	14
							Capital surplus	820,363	21	880,109	22	880,109	23
							Accumulated deficit	(9,317)	-	(136,598)	(3)	(187,578)	(5)
							Other equity	28,505	-	(10,159)	-	(45,313)	(1)
							Total equity	1,389,051	35	1,282,852	33	1,196,718	31
Total assets	\$ 3,922,279	100	3,908,848	100	3,818,936	100	Total liabilities and equity	\$ 3,922,279	100	3,908,848	100	3,818,936	100

See accompanying notes to consolidated financial statements.

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

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar, except for earnings per share)

	For the three months ended June 30				For the six months ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Note 6(t))	\$ 659,883	100	646,847	100	1,221,017	100	1,263,128	100
Operating costs (Note 6(d), (p) and 12)	468,446	71	501,189	77	858,576	70	959,256	76
Gross profit	191,437	29	145,658	23	362,441	30	303,872	24
Operating expenses (Note 6(p) and 12)								
Selling expenses	32,439	5	38,523	6	60,190	5	84,974	7
Administrative expenses	71,917	11	63,339	10	138,648	11	135,324	10
Research and development expenses	15,063	2	16,695	3	28,748	3	36,097	3
Expected credit loss (reversal) (Note 6(c))	6,854	1	(7,714)	(1)	9,864	1	1,018	-
	126,273	19	110,843	18	237,450	20	257,413	20
Operating income	65,164	10	34,815	5	124,991	10	46,459	4
Non-operating income and expenses (Note 6(v))								
Interest income	3,093	-	244	-	4,691	-	298	-
Other income	75	-	2,252	1	847	-	5,519	-
Other gains and losses	6,178	1	9,239	1	7,246	1	39,378	3
Finance costs (Note 6(k) and (n))	(9,546)	(1)	(7,992)	(1)	(19,190)	(1)	(15,258)	(1)
	(200)	-	3,743	1	(6,406)	-	29,937	2
Profit before income tax	64,964	10	38,558	6	118,585	10	76,396	6
Less: Income tax expenses (Note 6(q))	18,547	3	8,428	1	51,050	4	13,051	1
Profit for the period	46,417	7	30,130	5	67,535	6	63,345	5
Other comprehensive income:								
Components of other comprehensive income that will be reclassified to profit or loss								
Exchange differences on translation of foreign financial statements	46,231	7	9,242	1	48,330	4	40,567	3
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(q))	(9,246)	(1)	(1,848)	-	(9,666)	(1)	(8,113)	-
	36,985	6	7,394	1	38,664	3	32,454	3
Total comprehensive income	\$ 83,402	13	37,524	6	106,199	9	95,799	8
Earnings per share (NT Dollars) (Note 6(s))								
Basic earnings per share	\$ 0.84		0.55		1.23		1.15	
Diluted earnings per share	\$ 0.84		0.55		1.23		1.15	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2023 and 2022
(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	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	-	-	-	-	63,345	63,345	-	63,345
Other comprehensive income for the period	-	-	-	-	-	-	32,454	32,454
Total comprehensive income for the period	-	-	-	-	63,345	63,345	32,454	95,799
Appropriation of earnings:								
Legal reserve used to offset accumulated deficits	-	-	(204,502)	-	204,502	-	-	-
Balance at June 30, 2022	\$ 549,500	880,109	-	2,724	(190,302)	(187,578)	(45,313)	1,196,718
Balance at January 1, 2023	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Profit for the period	-	-	-	-	67,535	67,535	-	67,535
Other comprehensive income for the period	-	-	-	-	-	-	38,664	38,664
Total comprehensive income for the period	-	-	-	-	67,535	67,535	38,664	106,199
Appropriation of earnings:								
Capital surplus used to offset accumulated deficits	-	(59,746)	-	-	59,746	59,746	-	-
Balance at June 30, 2023	\$ 549,500	820,363	-	2,724	(12,041)	(9,317)	28,505	1,389,051

See accompanying notes to consolidated financial statements.

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

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in thousands of New Taiwan Dollar)**

	For the six months ended June 30	
	2023	2022
Cash flows from (used in) operating activities		
Profit before tax	\$ 118,585	76,396
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	66,160	75,354
Amortization expense	14,198	13,452
Expected credit loss	9,864	1,018
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	107	(8,192)
Interest expense	19,190	15,258
Interest income	(4,691)	(298)
Loss (gain) on disposal of property, plant and equipment	281	(185)
Unrealized foreign exchange loss (gain)	4,142	(21,816)
Gain on lease modification	-	(1,244)
Total adjustments to reconcile profit (loss)	109,251	73,347
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	12,501	(22,506)
Decrease (increase) in trade receivable	(49,833)	(57,993)
Decrease (increase) in other receivables	(3,322)	313
Adjustments for decrease (increase) in inventories	(100,236)	(128,574)
Adjustments for decrease (increase) in other current assets	(16,541)	(3,493)
Decrease (increase) in net defined benefit assets	(525)	(407)
Total changes in operating assets	(157,956)	(212,660)
Changes in operating liabilities		
Increase (decrease) in contract liabilities	(53,865)	40,277
Increase (decrease) in notes payable	(82)	(1,226)
Increase (decrease) in accounts payable	17,350	(1,337)
Increase (decrease) in other payables	(29,084)	37,946
Increase (decrease) in provisions	2,944	4,815
Adjustments for increase (decrease) in other current liabilities	(164)	(4,220)
Total changes in operating liabilities	(62,901)	76,255
Total changes in operating assets and liabilities	(220,857)	(136,405)
Total adjustments	(111,606)	(63,058)

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

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in thousands of New Taiwan Dollar)**

	For the six months ended June 30	
	2023	2022
Cash inflow (outflow) generated from operations	6,979	13,338
Interest received	4,691	298
Interest paid	(19,241)	(15,187)
Income taxes refund (paid)	(336)	29,503
Net cash flows from (used in) operating activities	(7,907)	27,952
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(23,950)	(20,689)
Proceeds from disposal of property, plant and equipment	-	185
Acquisition of intangible assets	(3,227)	(534)
Decrease in other non-current assets	(1,363)	(247)
Net cash flows from (used in) investing activities	(28,540)	(21,285)
Cash flows from (used in) financing activities		
Increase in short-term borrowings	264,766	90,000
Decrease in short-term borrowings	(265,404)	(110,000)
Repayments of long-term borrowings	(67,540)	(88,705)
Payments of lease liabilities	(16,358)	(16,725)
Net cash flows from (used in) financing activities	(84,536)	(125,430)
Effect of exchange rate changes on cash and cash equivalents	(5,669)	11,385
Net increase (decrease) in cash and cash equivalents	(126,652)	(107,378)
Cash and cash equivalents at beginning of period	900,149	869,038
Cash and cash equivalents at end of period	\$ 773,497	761,660

See accompanying notes to consolidated financial statements.

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

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the six months ended June 30, 2023 and 2022

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

1. Company history

Quaser Machine Tools, Inc. (the “Company”) was incorporated in May 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 Company and its subsidiaries (collectively referred to as the “Group”) mainly engage in manufacturing and sales of computer numerical control (CNC) machine centers, metal-working machines, and related machines.

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

2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on August 3, 2023.

3. New standards, amendments and interpretations adopted

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

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

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

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

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

(Continued)

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
Notes to 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”	<p>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 have removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments¹, 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.</p> <p>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.</p>	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 expects that the following other new and amended standards, which have yet to be endorsed by the FSC, will not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS16 “Lease Liability in a Sale and Leaseback”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform—Pillar Two Model Rules”

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (Regulations) and IAS 34 “Interim Financial Reporting” which were endorsed and issued into effect by FSC. These consolidated financial statements do not include all of the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRSs endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the 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	Main businesses	Percentage of ownership			Note
			June 30, 2023	December 31, 2022	June 30, 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 a non-significant subsidiary for which the financial statements are not reviewed by independent auditors.

Note 2: The liquidation of the Group’s subsidiary, Quaser America, was resolved by the Board of Directors. As of June 30, 2023, the relevant procedures are still in process. This is a non-significant subsidiary and its financial statements for the six months ended June 30, 2023 are not reviewed by independent auditors.

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

(c) Employee benefits

The pension cost in the interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off

(Continued)

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

events.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expenses for the period are best measured by multiplying pretax income for the interim reporting period by 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.

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are consistent with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

6. Explanation of significant accounts

Except for the following disclosures, there are no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the consolidated financial statements for the year ended December 31, 2022. The related information is provided in note 6 to the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Petty cash and cash on hand	\$ 1,314	1,229	1,447
Checking and demand deposits	697,125	806,790	760,213
Time deposits	75,058	92,130	-
Cash and cash equivalents in the consolidated statement of cash flows	\$ 773,497	900,149	761,660

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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets mandatorily classified as at FVTPL:			
Derivative instruments not used for hedging			
Cross-currency swap contracts	\$ -	-	8,545

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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	June 30, 2023	December 31, 2022	June 30, 2022
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 107	-	67

As of June 30, 2023, December 31, 2022 and June 30, 2022, outstanding forward exchange contracts and cross-currency swap contracts were as follows:

(i) Forward exchange contracts:

	June 30, 2023		
	Contract amount (in thousands)	Currency	Maturity dates
Forward exchange sold	USD 240 / NTD 7,370	USD to NTD	23.08.07~23.08.16
Forward exchange sold	USD 152 / NTD 4,664	USD to NTD	23.08.14~23.08.23

(ii) Cross-currency swap contracts:

	June 30, 2022			
	Contract amount (in thousands)	Maturity dates	Interest payable	Interest receivable
Interest rate swap contract	USD 1,000 / NTD 27,755	22.07.25	0%	0.11%
Interest rate swap contract	USD 1,000 / NTD 27,727	22.07.26	0%	0.11%
Interest rate swap contract	USD 1,000 / NTD 27,727	22.07.26	0%	0.11%
Interest rate swap contract	USD 1,000 / NTD 29,775	22.12.14	0%	1.70%
Foreign exchange swap contract	USD 1,000 / NTD 28,522	22.09.12	0%	0.00%
Foreign exchange swap contract	USD 1,000 / NTD 28,522	22.09.12	0%	0.00%
Foreign exchange swap contract	USD 1,000 / NTD 29,372	22.11.02	0%	0.00%
Foreign exchange swap contract	USD 1,000 / NTD 29,372	22.11.02	0%	0.00%

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

(c) Notes receivable and trade receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable from operating activities	\$ 10,768	23,269	74,656
Trade receivables—measured as amortized cost	545,756	502,475	485,806
Less: Loss allowance	(22,264)	(11,776)	(8,757)
	\$ 534,260	513,968	551,705

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 was determined as follows:

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

December 31, 2022			
	Carrying amount of notes and trade receivable	Weighted average expected credit loss rate	Loss allowance
Not past due	\$ 450,310	- %	-
1 to 30 days past due	30,146	- %	-
31 to 60 days past due	8,275	4.87 %	403
61 to 90 days past due	11,501	10.02 %	1,152
91 to 180 days past due	13,302	20.12 %	2,676
181 to 360 days past due	9,330	50.00 %	4,665
More than 361 days past due	2,880	100.00 %	2,880
	\$ 525,744		11,776

June 30, 2022			
	Carrying amount of notes and trade receivable	Weighted average expected credit loss rate	Loss allowance
Not past due	\$ 514,822	- %	-
1 to 30 days past due	18,193	- %	-
31 to 60 days past due	14,613	5.00 %	730
61 to 90 days past due	2,649	10.00 %	265
91 to 180 days past due	9,989	75.34 %	7,566
181 to 360 days past due	-	- %	-
More than 361 days past due	196	100.00 %	196
	\$ 560,462		8,757

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

	For the six months ended June 30	
	2023	2022
Balance at beginning of period	\$ 11,776	7,428
Impairment losses recognized	9,864	1,018
Effect of exchange rate changes	624	311
Balance at end of period	\$ 22,264	8,757

The Group's notes receivable and trade receivable were not pledged as collateral as of June 30, 2023, December 31, 2022, and June 30, 2022.

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

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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(d) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 639,300	658,265	529,773
Work in progress	430,969	365,191	329,119
Finished goods	179,593	133,853	246,123
	<u>\$ 1,249,862</u>	<u>1,157,309</u>	<u>1,105,015</u>

Write-down of inventories to net realizable value and reversal of write-down of inventories resulting from slow moving inventories were sold.

Net inventory losses (reversal of write-down of inventories) for the three months and six months ended June 30, 2023 and 2022 were \$4,963 thousand, \$(3,787) thousand, \$5,678 thousand and \$(1,809) thousand, respectively.

As of June 30, 2023, December 31, 2022 and June 30, 2022, none of the Group's inventories were pledged as collateral.

(e) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Associates	<u>\$ 34,256</u>	<u>-</u>	<u>-</u>

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

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

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

(iii) The Group's investment accounted for using equity method was not pledged as collateral as of June 30, 2023.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2023 and 2022 were as follows:

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Molding equipment	Other equipment	Total
Cost:							
Balance at January 1, 2023	\$ 123,978	244,495	992,782	5,627	49,119	245,721	1,661,722
Additions	-	5,441	14,286	-	-	4,223	23,950
Disposals	-	-	-	(1,349)	-	(3,368)	(4,717)
Reclassification	-	217	8,330	(1,008)	-	361	7,900
Effects of exchange rate changes	-	1,958	36,237	(37)	-	4,422	42,580
Balance at June 30, 2023	<u>\$ 123,978</u>	<u>252,111</u>	<u>1,051,635</u>	<u>3,233</u>	<u>49,119</u>	<u>251,359</u>	<u>1,731,435</u>

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Molding equipment	Other equipment	Total
Balance at January 1, 2022	\$ 123,978	242,583	973,514	4,345	48,614	239,666	1,632,700
Additions	-	-	19,742	-	157	790	20,689
Disposals	-	-	(6,401)	(232)	-	(129)	(6,762)
Reclassification	-	-	2,450	1,246	-	(1,014)	2,682
Effects of exchange rate changes	-	544	29,765	205	-	1,451	31,965
Balance at June 30, 2022	<u>\$ 123,978</u>	<u>243,127</u>	<u>1,019,070</u>	<u>5,564</u>	<u>48,771</u>	<u>240,764</u>	<u>1,681,274</u>
Accumulated depreciation and impairments loss:							
Balance at January 1, 2023	\$ -	223,196	681,044	4,802	46,262	230,111	1,185,415
Depreciation	-	3,880	41,405	84	838	3,400	49,607
Disposals	-	-	-	(1,349)	-	(3,087)	(4,436)
Reclassification	-	-	-	(1,008)	-	1,008	-
Effects of exchange rate changes	-	1,413	23,918	(16)	-	3,879	29,194
Balance at June 30, 2023	<u>\$ -</u>	<u>228,489</u>	<u>746,367</u>	<u>2,513</u>	<u>47,100</u>	<u>235,311</u>	<u>1,259,780</u>
Balance at January 1, 2022	\$ -	213,956	600,142	3,259	44,137	218,171	1,079,665
Depreciation	-	4,366	46,945	196	1,144	5,257	57,908
Disposals	-	-	(6,401)	(232)	-	(129)	(6,762)
Reclassification	-	-	-	1,246	-	(1,014)	232
Effects of exchange rate changes	-	128	12,717	180	-	1,057	14,082
Balance at June 30, 2022	<u>\$ -</u>	<u>218,450</u>	<u>653,403</u>	<u>4,649</u>	<u>45,281</u>	<u>223,342</u>	<u>1,145,125</u>
Carrying amount:							
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>476,307</u>
Balance at June 30, 2023	<u>\$ 123,978</u>	<u>23,622</u>	<u>305,268</u>	<u>720</u>	<u>2,019</u>	<u>16,048</u>	<u>471,655</u>
Balance at January 1, 2022	<u>\$ 123,978</u>	<u>28,627</u>	<u>373,372</u>	<u>1,086</u>	<u>4,477</u>	<u>21,495</u>	<u>553,035</u>
Balance at June 30, 2022	<u>\$ 123,978</u>	<u>24,677</u>	<u>365,667</u>	<u>915</u>	<u>3,490</u>	<u>17,422</u>	<u>536,149</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the property, plant and equipment of the Group had been pledged as collateral for bank borrowings are set out in note 8.

(g) Right-of-use assets

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

	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost:					
Balance at January 1, 2023	\$ 220,022	2,358	13,141	9,452	244,973
Additions	997	2,510	447	-	3,954
Write-off	(8,900)	(816)	(2,126)	-	(11,842)
Effects of exchange rate changes	2,894	64	47	132	3,137
Balance at June 30, 2023	<u>\$ 215,013</u>	<u>4,116</u>	<u>11,509</u>	<u>9,584</u>	<u>240,222</u>
Balance at January 1, 2022	\$ 210,899	10,060	13,887	4,502	239,348
Additions	-	1,469	1,784	3,993	7,246
Write-off	(12,861)	-	(1,390)	(504)	(14,755)
Reclassification	-	(684)	(232)	684	(232)
Effects of exchange rate changes	14,986	766	348	472	16,572
Balance at June 30, 2022	<u>\$ 213,024</u>	<u>11,611</u>	<u>14,397</u>	<u>9,147</u>	<u>248,179</u>
Accumulated depreciation:					
Balance at January 1, 2023	\$ 82,748	1,688	7,142	3,711	95,289
Depreciation	13,384	425	1,629	1,115	16,553
Write-off	(8,900)	(816)	(2,126)	-	(11,842)
Effects of exchange rate changes	1,252	17	43	73	1,385
Balance at June 30, 2023	<u>\$ 88,484</u>	<u>1,314</u>	<u>6,688</u>	<u>4,899</u>	<u>101,385</u>

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	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Balance at January 1, 2022	\$ 58,104	3,072	8,065	3,628	72,869
Depreciation	13,329	652	2,416	1,049	17,446
Write-off	(8,568)	(259)	(1,685)	(1,050)	(11,562)
Reclassification	-	-	(232)	-	(232)
Effects of exchange rate changes	4,321	239	1,549	(1,120)	4,989
Balance at June 30, 2022	\$ 67,186	3,704	10,113	2,507	83,510
Carrying amount:					
Balance at January 1, 2023	\$ 137,274	670	5,999	5,741	149,684
Balance at June 30, 2023	\$ 126,529	2,802	4,821	4,685	138,837
Balance at January 1, 2022	\$ 152,795	6,988	5,822	874	166,479
Balance at June 30, 2022	\$ 145,838	7,907	4,284	6,640	164,669

(h) Goodwill and intangible assets

The cost, amortization and impairment of the goodwill and intangible assets of the Group for the six months ended June 30, 2023 and 2022 were as follows:

	Goodwill	Customer relationship	Developed Technology	Software	Technology Licenses	Trademarks	Others	Total
Cost:								
Balance at January 1, 2023	\$ 498,287	167,019	77,935	40,625	2,430	127	1,332	787,755
Additions	-	-	-	2,603	586	38	-	3,227
Disposals	-	-	-	(529)	-	(31)	(30)	(590)
Effects of exchange rate changes	6,902	4,251	3,028	2,160	-	-	-	16,341
Balance at June 30, 2023	\$ 505,189	171,270	80,963	44,859	3,016	134	1,302	806,733
Balance at January 1, 2022	\$ 449,658	150,540	70,246	41,144	2,000	83	2,076	715,747
Additions	-	-	-	504	-	-	30	534
Effects of exchange rate changes	32,736	11,095	5,177	(1,101)	-	-	-	47,907
Balance at June 30, 2022	\$ 482,394	161,635	75,423	40,547	2,000	83	2,106	764,188
Accumulated amortization and impairment losses:								
Balance at January 1, 2023	\$ 199,507	33,772	34,210	32,055	750	34	774	301,102
Amortization	-	5,602	5,675	2,384	326	14	197	14,198
Disposals	-	-	-	(529)	-	(31)	(30)	(590)
Effects of exchange rate changes	2,793	2,492	2,524	1,864	-	-	-	9,673
Balance at June 30, 2023	\$ 202,300	41,866	42,409	35,774	1,076	17	941	324,383
Balance at January 1, 2022	\$ 179,834	20,290	20,554	28,743	650	72	892	251,035
Amortization	-	5,272	5,340	2,439	50	7	344	13,452
Effects of exchange rate changes	13,241	1,673	1,694	(906)	-	-	-	15,702
Balance at June 30, 2022	\$ 193,075	27,235	27,588	30,276	700	79	1,236	280,189
Carrying amount:								
Balance at January 1, 2023	\$ 298,780	133,247	43,725	8,570	1,680	93	558	486,653
Balance at June 30, 2023	\$ 302,889	129,404	38,554	9,085	1,940	117	361	482,350
Balance at January 1, 2022	\$ 269,824	130,250	49,692	12,401	1,350	11	1,184	464,712
Balance at June 30, 2022	\$ 289,319	134,400	47,835	10,271	1,300	4	870	483,999

(i) Impairment testing for goodwill

Goodwill amounted \$495,828 thousand arising from the acquisition of Winbro UK on October 31, 2019 was mainly attributable to the expected benefit derived from the considerations paid. According to IAS 36, goodwill acquired in a business combination should be tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (CGU) that are

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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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, 2022, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

(ii) Collateral

None of the intangible assets held by the Group were pledged collateral as of June 30, 2023, December 31, 2022 and June 30, 2022.

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Other current assets:			
Prepayments	\$ 75,021	58,401	40,069
Others	16,767	17,063	9,215
	\$ 91,788	75,464	49,284
	June 30, 2023	December 31, 2022	June 30, 2022
Other non-current assets:			
Refundable deposits	\$ 3,929	2,550	3,595
Others	42	58	76
	\$ 3,971	2,608	3,671

(j) Short-term borrowings

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

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	\$ 952,000	819,000	390,000
Secured bank loans	209,762	343,400	343,400
	\$ 1,161,762	1,162,400	733,400
Unused short-term credit lines	\$ 691,738	700,000	779,000
Range of interest rates	1.82%~2.256%	1.57%~2.325%	1.209%~1.805%

(i) Issuance and repayment of the borrowings

For the six months ended June 30, 2023 and 2022, the increase in short-term borrowings amounted to \$264,766 thousand and \$90,000 thousand, with an interest rate of 1.82%~2.125% and

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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1.415%~1.635%, as well as maturities ranging from July to October, 2023 and October, 2022, respectively. For the six months ended June 30, 2023 and 2022, the repayments amounted to \$265,404 thousand and \$110,000 thousand, respectively.

(ii) Collateral for short-term borrowings

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

(k) Lease liabilities

The lease liabilities of the Group were summarized as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	\$ 33,218	61,323	31,749
Non-current	\$ 115,594	98,001	135,261

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ 1,218	1,332	2,395	2,536
Expenses relating to short-term leases	\$ 1,425	1,872	2,915	2,108

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

	For the six months ended June 30	
	2023	2022
Total cash outflow for leases	\$ 21,668	21,369

(i) Building leases

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

(ii) Other leases

The Group leases machinery, transportation equipment, and other equipment with lease terms of 2 to 6 years. The ownership of machinery belongs to the lessee at the end of the lease terms.

(l) Other payables

The other payables of the Group were summarized as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Salary and bonus payable	\$ 30,873	72,262	16,373
Pensions payable	1,770	1,950	1,745
Investment payable	34,488	-	-
Others	179,230	166,596	123,133
	\$ 246,361	240,808	141,251

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(m) Long-term borrowings

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

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	\$ 62,041	73,252	454,385
Secured bank loans	308,532	364,861	421,191
	370,573	438,113	875,576
Less: current portion	(135,461)	(135,224)	(505,094)
	\$ 235,112	302,889	370,482
Unused long-term credit lines	\$ 248,450	242,725	90,175
Range of interest rates	2.4%~2.939%	2.275%~2.757%	1.14%~2.35%

(i) Issuance and repayment of the borrowings

There were no additional long-term borrowings for the six months ended June 30, 2023 and 2022. For the six months ended June 30, 2023 and 2022, the repayments amounted to \$67,540 thousand and \$88,705 thousand, respectively.

(ii) Syndicated loan

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

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

1) Current ratio (current assets /current liabilities) – not less than 100%.

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

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

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

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

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

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

The Group 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 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.

The Group has re-signed the syndicated loan agreement with Taishin International Bank in July 2023. The loan amount is NT\$1,290,000 thousand with 5-year credit period, and the annual

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interest rate is 1.70%. The funds obtained from the syndicated loan agreement are 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 expense) – not less than 300%.
- 4) Equity – not less than \$1,000,000 thousand.

As of June 30, 2023, the Group was in compliance with the above borrowing covenants.

(iii) Collateral for long-term borrowings

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

(n) Bonds payable

The details of unsecured convertible bonds were as follows:

The details of unsecured convertible bonds were as follows:

	December 31, 2022	June 30, 2022
Total convertible corporate bonds issued	\$ 200,000	200,000
Unamortized discounted corporate bonds payable	-	(25)
Cumulative redeemed amount	(200,000)	(195,200)
Less: current portion	-	(4,775)
Corporate bonds issued balance at period-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 stock options	<u><u>\$ 6,642</u></u>	<u><u>6,482</u></u>

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest expense	\$ -	22	-	45

On October 9, 2019, the Group issued 2,000 unsecured convertible bonds with three years. The coupon rate of the bond was 0%. The Group paid interest quarterly at an effective interest rate of 0.1582%.

The conversion price was set at \$52.5 per share at the time of issuance. In the event of an adjustment to the conversion price of the Company's ordinary shares that complies with the terms of issuance, the conversion price shall be adjusted according to the formula specified in the terms of issuance. There were no reset terms for this bond.

At any time within three months after the issuance date till 40 days before maturity date (from January 10, 2020 to August 30, 2022), the Company could call back the outstanding bonds by cash at par value within five business days after the benchmark date of bond retirement if the closing price of the Company's common shares exceeded the conversion price for 30 successive business days for up to

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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30% (inclusive), or the outstanding balance of the bonds was less than 10% of total initial issuance value.

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

(o) Provisions

	June 30, 2023	December 31, 2022	June 30, 2022
Current - Warranties	\$ 16,684	13,960	16,482
Non-current - Employee benefits	4,326	4,106	5,464
	\$ 21,010	18,066	21,946

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

(p) Employee benefits

(i) Defined benefit plans

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

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating cost	\$ 177	(9)	130	(18)
Selling expenses	(320)	(3)	(333)	(5)
Administration expenses	71	(2)	59	(5)
	\$ (72)	(14)	(144)	(28)

(ii) Defined contribution plans

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating cost	\$ 746	730	1,493	1,454
Selling expenses	290	288	584	578
Administration expenses	442	460	888	901
Research and development expenses	206	204	419	413
	\$ 1,684	1,682	3,384	3,346

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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Except for the Company, other subsidiaries adopted the defined contribution pension plans under their local law, wherein the pension costs which have been allocated to the foreign pension institutions were amounted to \$6,206 thousand, \$4,655 thousand, \$12,245 thousand and \$9,967 thousand for the three months and six months ended June 30, 2023 and 2022, respectively.

(q) Income taxes

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

	For the three months ended		For the six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Current tax expense				
Current period	\$ 12,230	-	29,972	-
Adjustment for prior periods	90	-	17,603	-
	12,320	-	47,575	-
Deferred tax expense				
Origination and reversal of temporary differences	6,227	8,428	3,475	13,051
	<u>\$ 18,547</u>	<u>8,428</u>	<u>51,050</u>	<u>13,051</u>

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

	For the three months ended		For the six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ (9,246)	(1,848)	(9,666)	(8,113)

The Company's income tax returns for the year 2021 has been examined and approved by the tax authorities. However the Company's income tax returns of 2020 year is still on assessment.

(r) 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 June 30, 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

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The distribution of dividends by the Company can be in the form of cash or issuing new shares according to the Company's annual surplus in the current year and the overall industry's

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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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 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 were no earnings distribution for 2022 and 2021 based on the resolution made during the shareholders' meeting on June 15, 2023, and June 16, 2022, respectively.

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

		Exchange differences on translation of foreign financial statements
Balance at January 1, 2023	\$	(10,159)
Exchange differences on translating the net asset of foreign operations		48,330
Income tax effect		(9,666)
Balance at June 30, 2023	\$	28,505
Balance at January 1, 2022	\$	(77,767)
Exchange differences on translating the net asset of foreign operations		40,567
Income tax effect		(8,113)
Balance at June 30, 2022	\$	(45,313)

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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(s) Earnings per share

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

(i) Basic earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company (basic)	\$ 46,417	30,130	67,535	63,345
Weighted average number of ordinary shares outstanding (in thousands of shares)	54,950	54,950	54,950	54,950
Basic earnings per share (in NT dollars)	\$ 0.84	0.55	1.23	1.15

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders of the Company (basic)	\$ 46,417	30,130	67,535	63,345
Effect of dilutive potential ordinary shares				
Interest expense on convertible bonds, net of tax	-	18	-	36
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ 46,417	30,148	67,535	63,381
Weighted average number of ordinary shares outstanding (basic) (in thousands of shares)	54,950	54,950	54,950	54,950
Effect of dilutive potential ordinary shares				
Effect of conversion of convertible bonds	-	96	-	96
Weighted average number of ordinary shares outstanding (diluted) (in thousands of shares)	54,950	55,046	54,950	55,046
Diluted earnings per share (in NT dollars)	\$ 0.84	0.55	1.23	1.15

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
<u>Primary geographical markets</u>				
Asia	\$ 87,900	95,259	167,264	211,561
Europe	311,570	400,225	622,227	723,255
Americas	259,586	151,179	430,222	327,924
Others	827	184	1,304	388
	\$ 659,883	646,847	1,221,017	1,263,128
<u>Major products/services</u>				
Sales of goods	546,945	577,016	1,019,426	1,123,810
Rendering of services	112,938	69,831	201,591	139,318
	\$ 659,883	646,847	1,221,017	1,263,128

(ii) Contract balances

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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	June 30, 2023	December 31, 2022	June 30, 2022
Contract liabilities	\$ 291,875	345,740	327,861

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

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligation and the customer's payment.

(u) Compensation of employees and remunerations of directors

In accordance with the articles of incorporation the Company should contribute more than 5.52% of the profit as employees' 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.

There were profit before tax for the six months ended June 30, 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 was profit before tax for the year ended December 31, 2022, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. For the year ended December 31, 2021, the Company did not accrue the employees' compensation of employees and directors' remuneration of directors due to the deficit incurred by the Company in 2021. The relevant information is available at the Market Observation Post System website.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 3,093	244	4,691	298

(ii) Other income

The details of other income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Rent income	\$ 45	45	78	77
Government grants	-	48	428	312
Other income, others	30	2,159	341	5,130
	\$ 75	2,252	847	5,519

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

	For the three months ended		For the six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Gains (Losses) on disposals of property, plant and equipment	\$ (281)	181	(281)	185
Foreign exchange gains (losses)	6,563	3,416	7,652	29,868
Gains (Losses) on financial assets (liabilities) at fair value through profit or loss	(91)	4,501	(107)	8,192
Others	(13)	1,141	(18)	1,133
	\$ 6,178	9,239	7,246	39,378

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Interest expenses-bank loans	\$ 8,328	6,638	16,795	12,677
Interest expenses-convertible bonds	-	22	-	45
Interest expenses-lease liabilities	1,218	1,332	2,395	2,536
	\$ 9,546	7,992	19,190	15,258

(w) 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.

2) Concentration of credit risk

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group's major customers consisted of five customers which accounted for 68%, 61% and 59%, respectively, of trade 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. The financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Other receivables did not have impairment provision for the six months ended June 30, 2023 and 2022.

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

(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>Over 1 year</u>
June 30, 2023				
Non derivative financial liabilities				
Short-term borrowings	\$ 1,161,762	1,166,382	1,166,382	-
Trade and other payables	460,857	460,857	460,857	-
Long-term borrowings (current portion included)	370,573	379,474	142,168	237,306
Lease liabilities (current and non-current)	148,812	148,920	33,283	115,637
	<u>\$ 2,142,004</u>	<u>2,155,633</u>	<u>1,802,690</u>	<u>352,943</u>
December 31, 2022				
Non derivative financial liabilities				
Short-term borrowings	\$ 1,162,400	1,170,191	1,170,191	-
Trade and other payables	436,179	436,179	436,179	-
Long-term borrowings (current 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>
June 30, 2022				
Non derivative financial liabilities				
Short-term borrowings	\$ 733,400	735,911	735,911	-
Trade and other payables	440,985	440,985	440,985	-
Long-term borrowings (current portion included)	875,576	893,251	514,304	378,947
Lease liabilities (current and non-current)	167,010	170,322	35,051	135,271
Bonds payable (including current portion)	4,775	4,800	4,800	-
	<u>\$ 2,221,746</u>	<u>2,245,269</u>	<u>1,731,051</u>	<u>514,218</u>

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

(iii) Market risk

1) Currency risk

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

	June 30, 2023				December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets										
Monetary items										
EUR	\$	12,438	33.81	420,530	9,897	32.72	323,827	12,214	31.05	379,260
USD		15,470	31.14	481,744	15,544	30.71	477,349	7,219	29.72	214,534
CNY		11,488	4.282	49,193	7,958	4.408	35,079	7,888	4.439	35,014
Financial liabilities										
Monetary items										
EUR		202	33.81	6,835	284	32.72	9,301	125	31.05	3,894
USD		3,142	31.14	97,856	2,659	30.71	81,650	1,071	29.72	31,843

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES

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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, financial assets at fair value through other comprehensive income, loans and borrowings; 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 June 30, 2023 and 2022, would have increased (decreased) the profit before tax by \$6,774 thousand and \$4,745 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended June 30, 2023 and 2022, and the six months ended June 30, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$6,563 thousand, \$3,416 thousand, \$7,652 thousand and \$29,868 thousand, respectively.

2) Interest rate analysis

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

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

If the interest rate had increased / decreased by 0.25%, the Group's net income would have increased / decreased by \$3,831 thousand and \$4,022 thousand for the six months ended June 30, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

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June 30, 2023

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	\$ 773,497	-	-	-	-
Trade receivables and notes receivable	534,260	-	-	-	-
Other receivables	29,859	-	-	-	-
Subtotal	<u>\$ 1,337,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at FVTPL					
Derivative financial liabilities mandatorily measured at FVTPL	<u>\$ 107</u>	<u>-</u>	<u>107</u>	<u>-</u>	<u>107</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 1,161,762	-	-	-	-
Accounts and notes payable and other payables	460,857	-	-	-	-
Long-term borrowings (current portion included)	370,573	-	-	-	-
Lease liabilities (current and non-current)	148,812	-	-	-	-
Subtotal	<u>\$ 2,142,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

December 31, 2022

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

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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	June 30, 2022				
	Book Value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at FVTPL					
Derivative financial assets mandatorily measured at FVTPL	\$ 8,545	-	8,545	-	8,545
Financial assets at amortized cost					
Cash and cash equivalents	\$ 761,660	-	-	-	-
Trade receivables and notes receivable	551,705	-	-	-	-
Other receivables	27,294	-	-	-	-
Subtotal	\$ 1,340,659	-	-	-	-
Financial liabilities at FVTPL					
Derivative financial liabilities mandatorily measured at FVTPL	\$ 67	-	67	-	67
Financial liabilities at amortized cost					
Short-term borrowings	\$ 733,400	-	-	-	-
Accounts and notes payable and other payables	440,985	-	-	-	-
Long-term borrowings (current portion included)	875,576	-	-	-	-
Lease liabilities (current and non-current)	167,010	-	-	-	-
Bonds payable (current portion included)	4,775	-	-	-	-
Subtotal	\$ 2,221,746	-	-	-	-

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

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

2.1) Financial assets measured at amortized cost

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

2.2) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

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

4) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the six months ended June 30, 2023 and 2022.

(x) 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.

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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(y) 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.

(z) 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 six months ended June 30, 2023 and 2022, were as follows:

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

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

			Non-cash changes		June 30, 2023
			Increase (decrease) for the period	Foreign exchange movement	
Short-term borrowings	\$	January 1,2023	Cash flows		
		1,162,400	(638)	-	1,161,762
Lease liabilities (current and non-current)		159,324	(16,358)	3,954	148,812
Long-term borrowings (current portion included)		438,113	(67,540)	-	370,573
	\$	<u>1,759,837</u>	<u>(84,536)</u>	<u>3,954</u>	<u>1,681,147</u>

			Non-cash changes		June 30, 2022
			Increase (decrease) for the period	Foreign exchange movement	
Short-term borrowings	\$	January 1,2022	Cash flows		
		753,400	(20,000)	-	733,400
Lease liabilities (current and non-current)		167,367	(16,725)	(6,859)	167,010
Long-term borrowings (current portion included)		963,659	(88,705)	-	875,576
	\$	<u>1,884,426</u>	<u>(125,430)</u>	<u>(6,859)</u>	<u>1,775,986</u>

7. Related-party transactions

Key management personnel compensation:

		For the three months ended June 30		For the six months ended June 30	
		2023	2022	2023	2022
Short-term employee benefits	\$	2,561	3,779	5,397	7,484
Post-employment benefits		126	164	279	328
Other long-term benefits		-	15	-	29
	\$	<u>2,687</u>	<u>3,958</u>	<u>5,676</u>	<u>7,841</u>

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QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Subject of pledge guarantee	June 30, 2023	December 31, 2022	June 30, 2022
Land	Collateral for bank borrowings and credit lines	\$ 123,978	123,978	123,978
Buildings and structures	Collateral for bank borrowings and credit lines	5,804	7,637	9,470
		<u>\$ 129,782</u>	<u>131,615</u>	<u>133,448</u>

9. Significant commitments and contingencies

The Group's unrecognized contractual commitments were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Acquisition of property, plant and equipment	\$ -	3,234	-

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other

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

By function		For the three months ended June 30, 2023			For the three months ended June 30, 2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By item							
Employee benefits							
Salary	\$	86,584	46,690	133,274	77,757	45,042	122,799
Labor and health insurance		12,411	4,439	16,850	6,769	4,967	11,736
Pension		5,659	2,159	7,818	4,271	2,052	6,323
Others		668	3,379	4,047	683	1,745	2,428
Depreciation		26,609	8,029	34,638	15,136	22,005	37,141
Amortization		21	7,049	7,070	41	6,794	6,835

By function		For the six months ended June 30, 2023			For the six months ended June 30, 2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By item							
Employee benefits							
Salary	\$	166,882	86,384	253,266	155,891	87,300	243,191
Labor and health insurance		24,179	11,082	35,261	17,484	9,910	27,394

(Continued)

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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By function By item	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Pension	10,533	4,952	15,485	8,954	4,331	13,285
Others	1,194	4,790	5,984	1,206	3,393	4,599
Depreciation	50,121	16,039	66,160	44,864	30,490	75,354
Amortization	42	14,156	14,198	93	13,359	13,452

(b) Seasonality of operations

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

(Continued)

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 for the six months ended June 30, 2023:

(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	58,349	58,349	58,349		1	90,147	-	-	-	-	130,565	522,260
0	The Company	Kunshan Quaser	Other receivables	Yes	21,333	15,314	15,314		1	42,966	-	-	-	-	130,565	522,260
0	The Company	Quaser America	Other receivables	Yes	20,947	20,947	20,947		1	119,632	-	-	-	-	130,565	522,260
0	The Company	Winbro LLC	Other receivables	Yes	18,317	18,129	18,129		1	81,249	-	-	-	-	130,565	522,260
0	The Company	Winbro Ltd	Other receivables	Yes	3,421	2,863	2,863		1	48,151	-	-	-	-	130,565	522,260
1	Winbro Ltd	Winbro LLC	Other receivables	Yes	45,795	45,795	45,795		1	86,985	-	-	-	-	1,997,661	1,997,661
1	Winbro LLC	Winbro Ltd	Other receivables	Yes	6,887	6,880	6,880		1	479	-	-	-	-	1,012,610	1,012,610

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 March 31, 2023 was \$1,305,649 thousand \times 10% = \$130,565 thousand; Winbro Ltd's net asset value as of March 31, 2023 was \$499,415 thousand \times 400% = \$1,997,661 thousand; Winbro LLC's net asset value as of March 31, 2023 was \$253,153 thousand \times 400% = \$1,012,610 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 March 31, 2023 was \$1,305,649 thousand \times 40% = \$522,260 thousand; Winbro Ltd's net asset value as of March 31, 2023 was \$499,415 thousand \times 400% = \$1,997,661 thousand; Winbro LLC's net asset value as of March 31, 2023 was \$253,153 thousand \times 400% = \$1,012,610 thousand).

Note 3: The nature of financing provided could be:

- 1) business relationship.
- 2) short-term financial assistance.

(Continued)

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

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) Marketable 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 NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding NT\$100 million or 20% of capital stock: None.
- (ix) Trading in derivative instruments: Please refer to note 6(b).

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counterparty	Nature of relationship (Note 2)	Intercompany transactions for the six months ended June 30, 2023			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Kunshan Quaser	1	Sales	48,844	T/T 180 days	4 %
0	The Company	Kunshan Quaser	1	Trade receivable	15,232	T/T 180 days	- %
0	The Company	Quaser Europe Gmbh	1	Sales	66,832	T/T 180 days	5 %
0	The Company	Quaser Europe Gmbh	1	Trade receivable	69,258	T/T 180 days	2 %
0	The Company	Quaser Europe Gmbh	1	Other receivables	83,046	T/T 180 days	2 %
0	The Company	Winbro Ltd	2	Accounts payable	93,902	T/T 30 days	2 %
0	The Company	Winbro LLC	2	Sales	67,064	T/T 120 days	5 %
0	The Company	Winbro LLC	2	Trade receivable	49,978	T/T 120 days	1 %
1	Quaser America	Winbro LLC	4	Trade receivable	94,778	T/T 120 days	2 %
2	Quaser Europe Gmbh	Quaser Europe	3	Accounts payable	43,020	T/T 180 days	1 %
3	Winbro Ltd	Winbro LLC	5	Sales	46,907	T/T 90 days	4 %
3	Winbro Ltd	Winbro LLC	5	Trade receivable	85,648	T/T 90 days	2 %
4	Winbro LLC	Winbro Ltd	5	Trade receivable	8,777	T/T 90 days	- %

Note 1: Companies are numbered as follows:

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

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

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2023 (excluding information on investees in mainland China):

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

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Amount held at the end of the period			Net income (loss) of the investee	Investment income (loss) recognized by the Company	Note
				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	100.00%	44,245	(114)	(114)	Subsidiary

(Continued)

QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses	Original investment amount		Amount held at the end of the period			Net income (loss) of the investee	Investment income (loss) recognized by the Company	Note
				End of the period	End of the previous year	Shares	Percentage of ownership	Carrying value			
The Company	Quaser America	America	Buys and sells machines	189,455	189,455	6,000,000	100.00%	102,800	(2,036)	(2,036)	Subsidiary (Note 3)
The Company	Winbro UK	United Kingdom	Overseas reinvested holding company	1,845,204	1,845,204	1,425,000	100.00%	1,358,719	53,976	33,450	Subsidiary
The Company	Quaser Europe Gmbh	Germany	Buys and sells machines	841	841	25,000	100.00%	(32,778)	(2,785)	(2,785)	Subsidiary
Winbro UK	Winbro Ltd	United Kingdom	Aerospace machinery manufacturing and machining	GBP 90	GBP 90	9,029,804	100.00%	GBP 13,040	GBP (595)	(Note 2)	Sub-subsidiary
Winbro UK	Winbro LLC	America	Aerospace machinery manufacturing and machining	USD 33,576	USD 33,576	-	100.00%	USD 9,098	USD 2,380	(Note 2)	Sub-subsidiary

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

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

Note 3: The liquidation of the Group's subsidiary, Quaser America, was resolved by the Board of Directors. As of June 30, 2023, the relevant procedures are still in process.

(c) Information on investment in mainland China:

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

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

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 June 30, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (loss) recognized	Carrying value as of June 30, 2023	Accumulated inward remittance of earnings as of June 30, 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)	1,336	100%	1,336	(563)	-
Zhongshan Xuguang	Manufacturing and selling machines	86,220 (CNY 20,000)	The investment was made direct investments in companies in mainland China	-	-	-	-	-	40%	-	34,256	-

Note: Significant intercompany accounts and transactions have been eliminated.

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

(ii) Limitation on investment in mainland China:

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

Accumulated Investment in mainland China as of June 30, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper limit on investment
NTD\$38,500 (USD\$ 1,280)	NTD\$72,988 (USD\$ 2,432)	833,431

(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”.

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

(d) Major shareholders

Unit: Shares		
Shareholding	Shares	Percentage
Shareholder's Name		
Yeh Chiang Technology Co., Ltd.	12,433,500	22.62 %
Shieh, Raui-Mu	5,511,310	10.02 %
Xude Investment Co., Ltd.	5,107,118	9.29 %

14. Segment information

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

For the three months ended June 30, 2023			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 336,453	323,430	659,883
Reportable segment profit or loss	\$ 18,635	46,529	65,164

For the three months ended June 30, 2022			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 381,733	265,114	646,847
Reportable segment profit or loss	\$ 13,624	21,191	34,815

For the six months ended June 30, 2023			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 595,983	625,034	1,221,017
Reportable segment profit or loss	\$ 45,962	79,029	124,991

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For the six months ended June 30, 2022			
	Computer numerical control machines	Aerospace processing machines	Total
Total revenue	\$ 757,834	505,294	1,263,128
Reportable segment profit or loss	\$ 19,197	27,262	46,459

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