

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

## **Consolidated Financial Statements**

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

**For the Years Ended December 31, 2023 and 2022**

**Address: No.3, Gong 6th Rd., Youshih Industrial Park, Dajia District, Taichung City, Taiwan (R.O.C.)**  
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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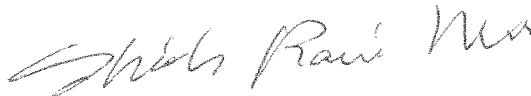
## Representation Letter

The entities that are required to be included in the combined financial statements of Quaser Machine Tools, Inc. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Quaser Machine Tools, Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Quaser Machine Tools, Inc.

Chairman: Shieh, Rau-Mu

Date: March 12, 2024



# Independent Auditors' Report

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

## Opinion

We have audited the consolidated financial statements of Quaser Machine Tools, Inc. (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

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

## Key Audit Matters

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

### 1. Assessment of goodwill impairment

Please refer to Note 4(m) for accounting policies, Note 5 for accounting assumptions, judgements and estimation uncertainty, and Note 6(g) for the assessment of goodwill impairment.

Description of key audit matter:

The Group's goodwill arising from the acquisition is significant. The assessment process of goodwill impairment requires identifying the cash-generating unit and estimation of the future cash flow of operation to determine the recoverable amount. We list the assessment as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Group; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; in addition to the above audit procedures,

appointing specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; performing an inquiry of the management and identifying any event after the balance sheet date if able to affect the results of the impairment assessment; and assessing the adequacy of the Group's disclosures of its policy on impairment of goodwill and other related disclosures.

## 2. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

## Other Matter

Quaser Machine Tools, Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional

judgment and professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 12, 2024

#### **Notes to Readers**

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**  
**(Expressed in thousands of New Taiwan Dollar)**

Assets	December 31, 2023		December 31, 2022		Liabilities and Equity	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (Note 6(a))	\$ 838,416	22	900,149	23	Short-term borrowings (Note 6(i) and 8)	\$ 552,000	14	1,162,400	30
Notes receivable, net (Note 6(b))	30,571	1	23,269	1	Current contract liabilities (Note 6(s))	178,607	5	345,740	9
Trade receivable, net (Note 6(b))	660,222	17	490,699	12	Notes payable	171	-	162	-
Other receivables	16,930	-	22,016	1	Accounts payable	185,900	5	195,209	5
Current tax assets	13,509	-	12,811	-	Other payables (Note 6(k))	282,873	7	240,808	6
Inventories (Note 6(c))	1,058,751	28	1,157,309	30	Current tax liabilities	60,747	2	20,037	1
Other current assets (Note 6(h))	56,310	2	75,464	2	Current provisions (Note 6(n))	21,101	1	13,960	-
	2,674,709	70	2,681,717	69	Current lease liabilities (Note 6(j))	35,948	1	61,323	2
					Long-term borrowing, current portion (Note 6(l) and 8)	2,806	-	135,224	3
					Other current liabilities	831	-	964	-
						1,320,984	35	2,175,827	56
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>				
Investments accounted for using equity method (Note 6(d))	34,542	1	-	-	Long-term borrowings (Note 6(l) and 8)	950,488	25	302,889	8
Property, plant and equipment (Note 6(e) and 8)	427,899	11	476,307	12	Non-current provisions (Note 6(n))	4,668	-	4,106	-
Right-of-use assets (Note 6(f))	126,048	3	149,684	4	Deferred tax liabilities (Note 6(p))	34,829	1	45,173	1
Intangible assets (Note 6(g))	164,671	4	187,873	5	Non-current lease liabilities (Note 6(j))	99,992	2	98,001	2
Goodwill (Note 6(g))	298,732	8	298,780	8		1,089,977	28	450,169	11
Deferred tax assets (Note 6(p))	79,192	2	93,222	2		2,410,961	63	2,625,996	67
Net defined benefit assets (Note 6(o))	21,461	1	18,657	-					
Other non-current assets (Note 6(h))	4,007	-	2,608	-	<b>Total liabilities</b>				
	1,156,552	30	1,227,131	31					
					<b>Equity attributable to owners of parent:</b> (Note 6(q))				
					Common stock	549,500	14	549,500	14
					Capital surplus	820,363	22	880,109	22
					Unappropriated retained earnings (Accumulated deficit)	35,351	1	(136,598)	(3)
					Other Equity	15,086	-	(10,159)	-
					<b>Total equity</b>	1,420,300	37	1,282,852	33
<b>Total assets</b>	<b>\$ 3,831,261</b>	<b>100</b>	<b>3,908,848</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 3,831,261</b>	<b>100</b>	<b>3,908,848</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the Years ended December 31, 2023 and 2022****(Expressed in thousands of New Taiwan Dollar)**

	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenue</b> (Note 6(s))	\$ 2,770,750	100	2,583,957	100
<b>Operating costs</b> (Note 6(c), (o) and 12)	1,994,080	72	1,930,012	75
<b>Gross profit</b>	776,670	28	653,945	25
<b>Operating expenses</b> (Note 6(o), (t) and 12):				
Selling expenses	148,170	5	158,673	6
Administrative expenses	331,273	12	357,442	14
Research and development expenses	77,771	3	69,394	3
Expected credit loss (Note 6(b))	10,368	-	4,055	-
	567,582	20	589,564	23
<b>Operating income</b>	209,088	8	64,381	2
<b>Non-operating income and expenses</b> (Note 6(u)):				
Interest income	11,384	-	1,427	-
Other income	2,676	-	26,509	1
Other gains and losses	(1,221)	-	83,765	3
Finance costs (Note 6 (j) and (m))	(37,262)	(1)	(33,449)	(1)
Share of loss of associates accounted for using equity method (Note 6 (d))	(75)	-	-	-
	(24,498)	(1)	78,252	3
<b>Profit before income tax</b>	184,590	7	142,633	5
<b>Less: Income tax expenses</b> (Note 6 (p))	73,597	3	33,752	1
<b>Profit for the period</b>	110,993	4	108,881	4
<b>Other comprehensive income:</b>				
<b>Components of other comprehensive income that will not be reclassified to profit or loss:</b>				
Gains (losses) on remeasurements of defined benefit plans (Note 6 (o))	1,513	-	6,805	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6 (p))	(303)	-	(1,361)	-
	1,210	-	5,444	-
<b>Components of other comprehensive income that will be reclassified to profit or loss:</b>				
Exchange differences on translation of foreign financial statements	31,556	1	84,510	3
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6 (p))	(6,311)	-	(16,902)	-
	25,245	1	67,608	3
<b>Other comprehensive income for the period, net of tax</b>	26,455	1	73,052	3
<b>Total comprehensive income</b>	\$ <b>137,448</b>	<b>5</b>	<b>181,933</b>	<b>7</b>
<b>Earnings per share</b> (NT Dollars) (Note 6(r))				
<b>Basic earnings per share</b>	\$ <b>2.02</b>		<b>1.98</b>	
<b>Diluted earnings per share</b>	\$ <b>2.02</b>		<b>1.98</b>	

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the Years ended December 31, 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	Unappropriated retained earnings (accumulated deficit)	Total	Exchange differences on translation of foreign financial statements	
<b>Balance at January 1, 2022</b>	\$ 549,500	880,109	204,502	2,724	(458,149)	(250,923)	(77,767)	1,100,919
Profit for the period	-	-	-	-	108,881	108,881	-	108,881
Other comprehensive income for the period	-	-	-	-	5,444	5,444	67,608	73,052
Total comprehensive income for the period	-	-	-	-	114,325	114,325	67,608	181,933
Appropriation of earnings:								
Legal reserve used to offset accumulated deficits	-	-	(204,502)	-	204,502	-	-	-
<b>Balance at December 31, 2022</b>	<b>\$ 549,500</b>	<b>880,109</b>	<b>-</b>	<b>2,724</b>	<b>(139,322)</b>	<b>(136,598)</b>	<b>(10,159)</b>	<b>1,282,852</b>
<b>Balance at January 1, 2023</b>	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Profit for the period	-	-	-	-	110,993	110,993	-	110,993
Other comprehensive income for the period	-	-	-	-	1,210	1,210	25,245	26,455
Total comprehensive income for the period	-	-	-	-	112,203	112,203	25,245	137,448
Appropriation of earnings:								
Capital surplus used to offset accumulated deficits	-	(59,746)	-	-	59,746	59,746	-	-
<b>Balance at December 31, 2023</b>	<b>\$ 549,500</b>	<b>820,363</b>	<b>-</b>	<b>2,724</b>	<b>32,627</b>	<b>35,351</b>	<b>15,086</b>	<b>1,420,300</b>

See accompanying notes to consolidated financial statements.

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

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the Years ended December 31, 2023 and 2022****(Expressed in thousands of New Taiwan Dollar)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 184,590	142,633
<b>Adjustments:</b>		
Adjustments to reconcile profit		
Depreciation expense	133,268	174,427
Amortization expense	28,893	27,644
Expected credit loss	10,368	4,055
Net loss on financial assets or liabilities at fair value through profit or loss	-	286
Interest expense	37,262	33,449
Interest income	(11,384)	(1,427)
Share of loss of associates accounted for using equity method	75	-
Loss (gain) on disposal of property, plant and equipment	1,847	(936)
Unrealized foreign exchange loss (gain)	34,646	(48,247)
Loss on lease modification	-	3,347
Total adjustments to reconcile profit	<u>234,975</u>	<u>192,598</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Decrease (increase) in notes receivable	(7,311)	28,881
Increase in trade receivable	(210,868)	(59,157)
Decrease in other receivable	3,025	8,164
Decrease (increase) in inventories	88,731	(180,869)
Decrease (increase) in other current assets	19,597	(29,673)
Increase in net defined benefit assets	(1,291)	(1,063)
Total changes in operating assets	<u>(108,117)</u>	<u>(233,717)</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	(169,651)	58,156
Increase (decrease) in notes payable	9	(4,628)
Decrease in accounts payable	(9,838)	(104,027)
Increase in other payable	39,755	136,966
Increase in provisions	7,824	935
Decrease in other current liabilities	(133)	(12,937)
Total changes in operating liabilities	<u>(132,034)</u>	<u>74,465</u>
Total changes in operating assets and liabilities	<u>(240,151)</u>	<u>(159,252)</u>
Total adjustments	<u>(5,176)</u>	<u>33,346</u>

(Continued)

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

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the Years ended December 31, 2023 and 2022****(Expressed in thousands of New Taiwan Dollar)**

	<b>2023</b>	<b>2022</b>
Cash inflow generated from operations	179,414	175,979
Interest received	11,384	1,427
Interest paid	(35,360)	(33,121)
Income taxes refund (paid)	(39,786)	30,328
<b>Net cash flows from (used in) operating activities</b>	<b>115,652</b>	<b>174,613</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	(34,889)	-
Acquisition of property, plant and equipment	(34,767)	(23,452)
Proceeds from disposal of property, plant and equipment	901	16,638
Decrease (increase) in refundable deposits	(1,452)	785
Acquisition of intangible assets	(5,137)	(1,064)
Decrease in other non-current assets	31	31
<b>Net cash flows from (used in) investing activities</b>	<b>(75,313)</b>	<b>(7,062)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	416,461	818,000
Decrease in short-term loans	(1,026,861)	(409,000)
Repayments of bonds	-	(4,800)
Proceeds from long-term borrowings	929,294	-
Repayments of long-term borrowings	(414,113)	(526,207)
Payments of lease liabilities	(34,242)	(33,647)
<b>Net cash flows from (used in) financing activities</b>	<b>(129,461)</b>	<b>(155,654)</b>
Effect of exchange rate changes on cash and cash equivalents	27,389	19,214
Net increase (decrease) in cash and cash equivalents	(61,733)	31,111
Cash and cash equivalents at beginning of period	900,149	869,038
<b>Cash and cash equivalents at end of period</b>	<b>\$ 838,416</b>	<b>900,149</b>

See accompanying notes to consolidated financial statements.

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

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

### **Notes to Consolidated Financial Statements**

**For the years ended December 31, 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 23, 1991 as a company limited by shares under the Company Act of the Republic of China (R.O.C). The registered address is No.3, Gong 6th Rd., Youshih Industrial Park, Dajia District, Taichung City, Taiwan (R.O.C.). The Company and its subsidiaries (collectively referred to as the “Group”) mainly engage in manufacturing and sales of computer numerical control (CNC) machine centers, metal-working machines, and related machines.

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2024.

#### **3. New standards, amendments and interpretations adopted**

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

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

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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”

**QUASER MACHINE TOOLS, INC. AND SUBSIDIARIES**  
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- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 21 “Lack of Exchangeability

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

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

**(a) Statement of compliance**

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

**(b) Basis of preparation**

**1) Basis of measurement**

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

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

**2) Functional and presentation currency**

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

**(c) Basis of consolidation**

**1) Principles of preparation of the consolidated financial statements**

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

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

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

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2) List of subsidiaries in the consolidated financial statements

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

Note 1: The liquidation of the Group’s subsidiary, Quaser America, was resolved by the Board of Directors. As of December 31, 2023, the relevant procedures are still in process.

Note 2: On May 4, 2023, the Company passed the resolution of the Board of Directors to increase its investment in the Group’s subsidiary, Quaser Europe Gmbh, by \$120,607 thousand, and the relevant registration has been completed.

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

(d) Foreign currencies

1) Foreign currency transactions

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

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

- (i) an investment in equity securities designated as at fair value through other comprehensive income;

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- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

**2) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency, New Taiwan Dollars, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency, New Taiwan Dollars, at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- 1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is expected to be realized within twelve months after the reporting period; or
- 4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current. An entity shall classify a liability as current when:

- 1) It is expected to be settled in the normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is due to be settled within twelve months after the reporting period; or
- 4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

**(f) Cash and cash equivalents**

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

**(g) Financial instruments**

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

1) Financial assets

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

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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



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since initial recognition.

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

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

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

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

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

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

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

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

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

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

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

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

(iv) Derecognition of financial assets

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

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

2) Financial liabilities and equity instruments

i) Classification of debt or equity

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

ii) Equity instrument

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

iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

iv) Financial liabilities

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

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

v) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged

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

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

vi) Offsetting of financial assets and liabilities

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

3) Derivative financial instruments and hedge accounting

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

(j) Property, plant and equipment

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1) Recognition and measurement

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

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

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

2) Subsequent expenditure

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

3) Depreciation

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

Land is not depreciated.

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

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

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

(k) Leases

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

1) As a lessee

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

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

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

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

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

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

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

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

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

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

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

2) As a lessor

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

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

(I) Intangible assets

1) Recognition and measurement

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

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

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

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

2) Subsequent expenditure

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

3) Amortization

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

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

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

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

**(n) Provisions**

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

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

**(o) Revenue**

**1) Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

**i) Sale of goods**

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

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

**ii) Revenue from the rendering of services**

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

**iii) Financing components**

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

**(p) Employee benefits**

**1) Defined contribution plans**

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

2) Defined benefit plans

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

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

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

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

3) Other long-term employee benefits

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

4) Short-term employee benefits

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

(q) Income taxes

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

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

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



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following:

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

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

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

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

In preparing these consolidated financial statements, management has made judgments, 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 management continues to monitor the accounting estimates and assumptions. The management

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recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

**Impairment of goodwill**

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(g) for further description of the impairment of goodwill.

The Group's accounting policies include measuring financial and non financial assets and liabilities at fair value through profit or loss.

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

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

**6. Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Petty cash and cash on hand	\$ 1,078	1,229
Checking and demand deposits	764,874	806,790
Time deposits	72,464	92,130
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 838,416</b>	<b>900,149</b>

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

(b) Notes receivable and trade receivable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable from operating activities	\$ 30,571	23,269
Trade receivables—measured as amortized cost	681,327	502,475
Less: Loss allowance	(21,105)	(11,776)
	<b>\$ 690,793</b>	<b>513,968</b>

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

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<b>December 31, 2023</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 618,117	- %	-
1 to 30 days past due	26,542	- %	-
31 to 60 days past due	17,548	3.46 %	607
61 to 90 days past due	8,981	5.59 %	502
91 to 180 days past due	24,952	18.88 %	4,712
181 to 360 days past due	947	49.95 %	473
More than 361 days past due	14,811	100.00 %	14,811
	<b>\$ 711,898</b>		<b>21,105</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	2,880	100.00 %	2,880
	<b>\$ 525,744</b>		<b>11,776</b>

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

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 11,776	7,428
Impairment losses recognized	10,368	4,055
Amounts written off	-	(6)
Effect of exchange rate changes	(1,039)	299
Balance at December 31	<b>\$ 21,105</b>	<b>11,776</b>

The Group's notes receivable and trade receivable were not pledged as collateral as of December 31, 2023 and 2022. For further credit risk information, please refers to note 6(v).

(c) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials	\$ 566,667	658,265
Work in progress	323,324	365,191
Finished goods	156,594	133,853
Goods	12,166	-
	<b>\$ 1,058,751</b>	<b>1,157,309</b>

For the years ended December 31, 2023 and 2022, the amounts recognized as cost of sales in relation to inventories were \$1,983,223 thousand and \$1,945,975 thousand, respectively. For the years ended December 31, 2023 and 2022, the loss for inventory obsolescence (reversal gain) from the decrease (increase) in inventories' net realizable value amounted to \$10,857 thousand and \$(15,963) thousand, respectively. As of December 31, 2023 and 2022, none of the Group's inventories were pledged as collateral.

(d) Investments accounted for using equity method

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

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	December 31, 2023	December 31, 2022
Associates	\$ <u>34,542</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.

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

	December 31, 2023
Carrying amount of individually insignificant associates' equity	\$ <u>34,542</u>
	<u>2023</u>
Attributable to the Group:	
Loss from continuing operations	\$ (75)
Other comprehensive (loss) income	(272)
Comprehensive (loss) income	\$ <u>(347)</u>

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

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 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	992,782	5,627	49,119	245,721	-	1,661,722
Additions	-	5,526	15,791	-	3,302	7,212	2,936	34,767
Disposals	-	-	(6,893)	(1,376)	-	(3,861)	-	(12,130)
Reclassification	-	217	13,250	(1,006)	-	335	-	12,796
Effects of exchange rate changes	-	1,350	20,796	(13)	-	3,089	(45)	25,177
Balance at December 31, 2023	\$ <u>123,978</u>	<u>251,588</u>	<u>1,035,726</u>	<u>3,232</u>	<u>52,421</u>	<u>252,496</u>	<u>2,891</u>	<u>1,722,332</u>
Balance at January 1, 2022	\$ 123,978	242,583	973,514	4,345	48,614	239,666	-	1,632,700
Additions	-	-	21,627	-	505	1,320	-	23,452
Disposals	-	-	(81,710)	(232)	-	(94)	-	(82,036)
Reclassification	-	-	2,451	1,244	-	(1,013)	-	2,682
Effects of exchange rate changes	-	1,912	76,900	270	-	5,842	-	84,924
Balance at December 31, 2022	\$ <u>123,978</u>	<u>244,495</u>	<u>992,782</u>	<u>5,627</u>	<u>49,119</u>	<u>245,721</u>	<u>-</u>	<u>1,661,722</u>
<b>Accumulated depreciation and impairments loss:</b>								
Balance at January 1, 2023	\$ -	223,196	681,044	4,802	46,262	230,111	-	1,185,415
Depreciation	-	8,066	81,924	167	1,644	6,969	-	98,770
Disposals	-	-	(4,677)	(1,376)	-	(3,329)	-	(9,382)
Reclassification	-	-	-	(1,006)	-	1,006	-	-
Effects of exchange rate changes	-	1,079	15,624	-	-	2,927	-	19,630
Balance at December 31, 2023	\$ <u>-</u>	<u>232,341</u>	<u>773,915</u>	<u>2,587</u>	<u>47,906</u>	<u>237,684</u>	<u>-</u>	<u>1,294,433</u>
Balance at January 1, 2022	\$ -	213,956	600,142	3,259	44,137	218,171	-	1,079,665
Depreciation	-	8,185	115,379	284	2,125	9,760	-	135,733
Disposals	-	-	(65,360)	(232)	-	(742)	-	(66,334)
Reclassification	-	-	-	1,244	-	(1,013)	-	231
Effects of exchange rate changes	-	1,055	30,883	247	-	3,935	-	36,120
Balance at December 31, 2022	\$ <u>-</u>	<u>223,196</u>	<u>681,044</u>	<u>4,802</u>	<u>46,262</u>	<u>230,111</u>	<u>-</u>	<u>1,185,415</u>
<b>Carrying amount:</b>								
Balance at December 31, 2023	\$ <u>123,978</u>	<u>19,247</u>	<u>261,811</u>	<u>645</u>	<u>4,515</u>	<u>14,812</u>	<u>2,891</u>	<u>427,899</u>
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>-</u>	<u>553,035</u>
Balance at December 31, 2022	\$ <u>123,978</u>	<u>21,299</u>	<u>311,738</u>	<u>825</u>	<u>2,857</u>	<u>15,610</u>	<u>-</u>	<u>476,307</u>

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

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(f) Right-of-use assets

The Group leases many assets including buildings, machinery, transportation equipment, and other equipment. Information about leases was 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	995	2,560	6,919	-	10,474
Write-off	(9,025)	(1,578)	(3,410)	-	(14,013)
Effects of exchange rate changes	40	(15)	17	(1)	41
Balance at December 31, 2023	<u>\$ 212,032</u>	<u>3,325</u>	<u>16,667</u>	<u>9,451</u>	<u>241,475</u>
Balance at January 1, 2022	\$ 210,899	10,060	13,887	4,502	239,348
Additions	29,032	1,525	5,505	4,145	40,207
Write-off	(42,381)	(9,371)	(6,537)	(523)	(58,812)
Reclassification	-	(710)	(232)	710	(232)
Effects of exchange rate changes	22,472	854	518	618	24,462
Balance at December 31, 2022	<u>\$ 220,022</u>	<u>2,358</u>	<u>13,141</u>	<u>9,452</u>	<u>244,973</u>
<b>Accumulated depreciation:</b>					
Balance at January 1, 2023	\$ 82,748	1,688	7,142	3,711	95,289
Depreciation	27,446	869	3,909	2,274	34,498
Write-off	(9,025)	(1,578)	(3,410)	-	(14,013)
Effects of exchange rate changes	(338)	11	15	(35)	(347)
Balance at December 31, 2023	<u>\$ 100,831</u>	<u>990</u>	<u>7,656</u>	<u>5,950</u>	<u>115,427</u>
Balance at January 1, 2022	\$ 58,104	3,072	8,065	3,628	72,869
Depreciation	26,872	5,188	4,456	2,178	38,694
Write-off	(8,894)	(6,860)	(6,844)	(1,090)	(23,688)
Reclassification	-	-	1,161	(1,393)	(232)
Effects of exchange rate changes	6,666	288	304	388	7,646
Balance at December 31, 2022	<u>\$ 82,748</u>	<u>1,688</u>	<u>7,142</u>	<u>3,711</u>	<u>95,289</u>
<b>Carrying amount:</b>					
Balance at December 31, 2023	<u>\$ 111,201</u>	<u>2,335</u>	<u>9,011</u>	<u>3,501</u>	<u>126,048</u>
Balance at January 1, 2022	<u>\$ 152,795</u>	<u>6,988</u>	<u>5,822</u>	<u>874</u>	<u>166,479</u>
Balance at December 31, 2022	<u>\$ 137,274</u>	<u>670</u>	<u>5,999</u>	<u>5,741</u>	<u>149,684</u>

(g) Goodwill and intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2023 and 2022, were as follows:

	<u>Goodwill</u>	<u>Customer relationship</u>	<u>Developed technology</u>	<u>Software</u>	<u>Technology licenses</u>	<u>Trademarks</u>	<u>Others</u>	<u>Total</u>
<b>Cost:</b>								
Balance at January 1, 2023	\$ 498,287	167,019	77,935	40,625	2,430	127	1,332	787,755
Additions	-	-	-	4,415	586	136	-	5,137
Disposals	-	-	-	(649)	(70)	(32)	(200)	(951)
Effects of exchange rate changes	(81)	1,859	1,898	1,876	-	-	-	5,552
Balance at December 31, 2023	<u>\$ 498,206</u>	<u>168,878</u>	<u>79,833</u>	<u>46,267</u>	<u>2,946</u>	<u>231</u>	<u>1,132</u>	<u>797,493</u>
Balance at January 1, 2022	\$ 449,658	150,540	70,246	41,144	2,000	83	2,076	715,747
Additions	-	-	-	509	430	95	30	1,064
Disposals	-	-	-	(1,443)	-	(51)	(774)	(2,268)
Effects of exchange rate changes	48,629	16,479	7,689	415	-	-	-	73,212
Balance at December 31, 2022	<u>\$ 498,287</u>	<u>167,019</u>	<u>77,935</u>	<u>40,625</u>	<u>2,430</u>	<u>127</u>	<u>1,332</u>	<u>787,755</u>
<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	-	11,432	11,580	4,892	571	50	368	28,893
Disposals	-	-	-	(649)	(70)	(32)	(200)	(951)
Effects of exchange rate changes	(33)	1,707	1,730	1,642	-	-	-	5,046
Balance at December 31, 2023	<u>\$ 199,474</u>	<u>46,911</u>	<u>47,520</u>	<u>37,940</u>	<u>1,251</u>	<u>52</u>	<u>942</u>	<u>334,090</u>

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		Goodwill	Customer relationship	Developed technology	Software	Technology licenses	Trademarks	Others	Total
Balance at January 1, 2022	\$	179,834	20,290	20,554	28,743	650	72	892	251,035
Amortization		-	10,945	11,086	4,844	100	13	656	27,644
Disposals		-	-	-	(1,443)	-	(51)	(774)	(2,268)
Effects of exchange rate changes		19,673	2,537	2,570	(89)	-	-	-	24,691
Balance at December 31, 2022	\$	<b>199,507</b>	<b>33,772</b>	<b>34,210</b>	<b>32,055</b>	<b>750</b>	<b>34</b>	<b>774</b>	<b>301,102</b>
<b>Carrying amount:</b>									
Balance at December 31, 2023	\$	<b>298,732</b>	<b>121,967</b>	<b>32,313</b>	<b>8,327</b>	<b>1,695</b>	<b>179</b>	<b>190</b>	<b>463,403</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 December 31, 2022	\$	<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>

(i) Impairment testing for goodwill

Goodwill amounted \$495,282 thousand arising from the acquisition of Winbro UK on October 31, 2019 was mainly attributable to the expected benefit derived from the considerations paid. According to IAS 36, goodwill acquired in a business combination should be tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (CGU) that are expected to benefit from the synergies of the combination. Winbro UK itself is a separate CGU that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of Winbro UK with its carrying amount to determine whether an impairment loss should be recognized.

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

Based on the impairment assessment for the years ended December 31, 2023 and 2022, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

The annual discount rates for the years ended December 31, 2023 and 2022, were 11.02% and 11.75%, respectively.

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

	<b>2023</b>	<b>2022</b>
Operating cost	\$ 206	134
Operating expense	28,687	27,510
	<b>\$ 28,893</b>	<b>27,644</b>

(iii) Collateral

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

(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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	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other current assets:		
Prepayments	\$ 34,450	58,401
Others	21,860	17,063
	<b>\$ 56,310</b>	<b>75,464</b>
Other non-current assets:		
Refundable deposits	\$ 3,981	2,550
Others	26	58
	<b>\$ 4,007</b>	<b>2,608</b>

(i) Short-term borrowings

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured bank loans	\$ 552,000	819,000
Secured bank loans	-	343,400
	<b>\$ 552,000</b>	<b>1,162,400</b>
Unused short-term credit lines	<b>\$ 507,000</b>	<b>700,000</b>
Range of interest rates	<b>1.82%~2.125%</b>	<b>1.57%~2.325%</b>

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

(j) Lease liabilities

The lease liabilities of the Group were summarized as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	\$ 35,948	61,323
Non-current	<b>\$ 99,992</b>	<b>98,001</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ 4,935	5,482
Expenses relating to short-term leases	<b>\$ 5,779</b>	<b>4,822</b>

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

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<b>\$ 44,956</b>	<b>43,951</b>

(i) Real estate 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

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

(k) Other payables

The other payables of the Group were summarized as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Salary and bonus payable	\$ 66,844	72,262
Pensions payable	1,925	1,950
Employee and director compensation payable	4,763	-
Commissions payable	70,030	46,319
Others	139,311	120,277
	<b>\$ 282,873</b>	<b>240,808</b>

(l) Long-term borrowings

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

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

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	NTD	2.275%	2026	\$ 73,252
Secured bank loans	NTD	2.757%	2024	364,861
				438,113
Less: current portion				(135,224)
Total				<b>\$ 302,889</b>
Unused long-term credit lines				<b>\$ 242,725</b>

(i) Syndicated loan

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

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:



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<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 expenses) - 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:

(In Thousands of New Taiwan Dollars)

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

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

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

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

As of December 31, 2023 and 2022, the Group was in compliance with the above borrowing covenants.

(ii) Collateral for long-term borrowings

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

(m) Bonds payable

The details of unsecured convertible bonds were as follows:

	<b>December 31, 2022</b>
Total convertible corporate bonds issued	\$ 200,000
Cumulative redeemed amount	(200,000)
Corporate bonds issued balance at year-end	\$ -
Equity component – conversion options, included in capital surplus – stock options	\$ -
Equity component – conversion options, included in capital surplus – expired stock options	\$ 6,642
	<b>2022</b>
Interest expense	\$ 70

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

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0.1582%.

The conversion price was set at \$52.50 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 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.

The Company repurchased the convertible bonds with 48 units on October 11, 2022 and the payment amounted to \$4,800 thousand.

(n) Provisions

	<b>Warranties</b>	<b>Employee benefits</b>
Balance at January 1, 2023	\$ 13,960	4,106
Provisions made during the year	18,408	562
Provisions used during the year	(11,384)	-
Effects of exchange rate changes	117	-
Balance at December 31, 2023	<b>\$ 21,101</b>	<b>4,668</b>
Balance at January 1, 2022	\$ 11,955	5,176
Provisions made during the year	17,533	-
Provisions used during the year	(12,055)	-
Provisions reversed during the year	(3,671)	(1,070)
Effects of exchange rate changes	198	-
Balance at December 31, 2022	<b>\$ 13,960</b>	<b>4,106</b>

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

(o) Employee benefits

(i) Defined benefit plans

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

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	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of the defined benefit obligations	\$ 20,792	22,985
Fair value of plan assets	(42,253)	(41,642)
Net defined benefit assets	<b>\$ (21,461)</b>	<b>(18,657)</b>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$41,780 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<b>2023</b>	<b>2022</b>
Defined benefit obligations at January 1	\$ 22,985	26,711
Current service costs and interest	345	134
Remeasurements loss (gain):		
— Actuarial loss (gain) arising from changes in demographic assumptions	47	-
— Actuarial loss (gain) arising from changes in experience adjustments	(1,240)	(703)
— Actuarial loss (gain) arising from changes in financial assumptions	(67)	(3,157)
Benefits paid	(1,278)	-
Defined benefit obligations at December 31	<b>\$ 20,792</b>	<b>22,985</b>

3) Movements of defined benefit plan assets

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

	<b>2023</b>	<b>2022</b>
Fair value of plan assets at January 1	\$ 41,642	37,500
Interest income	633	190
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	253	2,945
Contributions paid by the employer	1,003	1,007
Benefits paid	(1,278)	-
Fair value of plan assets at December 31	<b>\$ 42,253</b>	<b>41,642</b>

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4) Expenses recognized in profit or loss

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

	<b>2023</b>	<b>2022</b>
Net interest of net liabilities for defined benefit obligations	\$ <b>(288)</b>	<b>(56)</b>
Operating cost	\$ (148)	(33)
Selling expenses	(88)	(11)
Administration expenses	(52)	(12)
	<b>\$ (288)</b>	<b>(56)</b>

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

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

	<b>2023</b>	<b>2022</b>
Accumulated amount at January 1	\$ (14,195)	(21,000)
Recognized during the period	1,513	6,805
Accumulated amount at December 31	<b>\$ (12,682)</b>	<b>(14,195)</b>

6) Actuarial assumptions

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate	1.30%	1.50%
Future salary increase rate	2.50%	2.75%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date for 2023 is \$1,005 thousand.

The weighted-average lifetime of the defined benefits plans for the year ended December 31, 2023 is 12.2 years.

7) Sensitivity analysis

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

	<b>Impact on the defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2023:		
Discount rate	\$ (615)	639
Future salary increasing rate	578	(560)
December 31, 2022:		
Discount rate	(712)	741
Future salary increasing rate	719	(694)

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

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There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$6,734 thousand and \$6,718 thousand for the years ended December 31, 2023 and 2022, respectively.

Except for the Company, other subsidiaries adopted the defined contribution method under their local law, wherein the pension costs which have been allocated to the foreign pension institutions were amounted to \$25,846 thousand and \$21,017 thousand for the years ended December 31, 2023 and 2022, respectively.

(p) Income taxes

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

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 62,105	19,476
Adjustment for prior periods	15,005	(14,618)
	<u>77,110</u>	<u>4,858</u>
Deferred tax expense		
Origination and reversal of temporary differences	(3,513)	28,894
Income tax expense	<u>\$ 73,597</u>	<u>33,752</u>

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

	<u>2023</u>	<u>2022</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ <u>(303)</u>	<u>(1,361)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>(6,311)</u>	<u>(16,902)</u>

(iii) Reconciliation of income tax and profit before tax for 2023 and 2022, were as follows:

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	<b>2023</b>	<b>2022</b>
Profit before income tax	\$ 184,590	142,633
Income tax using the Company's domestic tax	\$ 36,918	28,527
Effect of tax rates in foreign jurisdiction	13,874	16,669
Non-deductible expenses	-	14
Tax-exempt income	(4)	-
Usage of previously unrecognized tax losses	7,777	-
Current-year losses for which no deferred tax asset was recognized	1,654	2,050
Adjustments of current income tax for prior periods	15,005	(14,618)
Effect of deferred income tax assets	-	(517)
Change in unrecognized temporary differences	(1,627)	1,627
Income tax expense	<b>\$ 73,597</b>	<b>33,752</b>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Aggregated amount of temporary differences related to investments in subsidiaries	\$ 207,969	207,969
Tax effect of deductible temporary differences	-	8,135
The carryforward of unused tax losses	91,808	93,743
	<b>\$ 299,777</b>	<b>309,847</b>
Unrecognized deferred tax assets	<b>\$ 59,955</b>	<b>61,969</b>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax assets:

	<b>Defined Benefit Plans</b>	<b>Inventory write- down</b>	<b>Unrealized gross profit</b>	<b>Loss carryforwards</b>	<b>Loss on foreign investment accounted for using the equity method</b>	<b>Exchange differences on translating foreign operations</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	\$ 5,120	7,131	10,313	6,267	59,686	2,539	2,166	93,222
Recognized in profit or loss	113	371	(386)	(6,267)	(10,777)	-	5,758	(11,188)
Recognized in other comprehensive income	(303)	-	-	-	-	(2,539)	-	(2,842)
<b>Balance at December 31, 2023</b>	<b>\$ 4,930</b>	<b>7,502</b>	<b>9,927</b>	<b>-</b>	<b>48,909</b>	<b>-</b>	<b>7,924</b>	<b>79,192</b>
<b>Balance at January 1, 2022</b>	\$ 6,695	7,263	4,320	22,462	62,422	19,441	9,050	131,653
Recognized in profit or loss	(214)	(132)	5,993	(16,195)	(2,736)	-	(6,884)	(20,168)
Recognized in other comprehensive income	(1,361)	-	-	-	-	(16,902)	-	(18,263)
<b>Balance at December 31, 2022</b>	<b>\$ 5,120</b>	<b>7,131</b>	<b>10,313</b>	<b>6,267</b>	<b>59,686</b>	<b>2,539</b>	<b>2,166</b>	<b>93,222</b>

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Deferred tax liabilities:

	Exchange differences on translation of foreign financial statements	Unrealized exchange gains	Others	Total
<b>Balance at January 1, 2023</b>	\$ -	9,649	35,524	45,173
Recognized in profit or loss	-	(9,649)	(5,052)	(14,701)
Recognized in other comprehensive income	3,772	-	-	3,772
Effects of exchange rate changes	-	-	585	585
<b>Balance at December 31, 2023</b>	<b>\$ 3,772</b>	<b>-</b>	<b>31,057</b>	<b>34,829</b>
<b>Balance at January 1, 2022</b>	\$ -	-	33,616	33,616
Recognized in profit or loss	-	9,649	(923)	8,726
Effects of exchange rate changes	-	-	2,831	2,831
<b>Balance at December 31, 2022</b>	<b>\$ -</b>	<b>9,649</b>	<b>35,524</b>	<b>45,173</b>

(v) As of December 31, 2023, the information of the Group's unused tax losses were as follows:

Year of loss	Unused tax loss	Expiry date
2017	\$ 8,977	2037
2018	19,043	2038
2019	29,178	2039
2020	12,631	2040
2021	5,999	2041
2023	957	2043
Total	<b>\$ 76,785</b>	

The unused tax loss of the Group's subsidiary, Quaser Europe GmbH, was \$15,023 thousand on December 31, 2023. There were no expiry date for tax loss deductions according to local tax laws.

(vi) Assessment of tax

The Company's income tax returns for the 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.

(q) Capital and other equity

(i) Common Stock

As of December 31, 2023 and 2022, the Company's government registered total authorized capital both amounted to \$800,000 thousand divided into 80,000 thousand shares of stock with \$10 per share. The outstanding shares of common stock were both \$549,500 thousand with \$10 per share.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

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	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Premium from issuance of common stock (with cash inflow)	\$ 791,886	791,886
Treasury share transactions	3,139	3,139
<u>May be used to offset a deficit only</u>		
Premium from issuance of common stock (without cash inflow)	18,696	57,271
Treasury share transactions	-	21,171
Expired stock options	6,642	6,642
	<b>\$ 820,363</b>	<b>880,109</b>

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

(iii) Retained earnings

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

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

1) Legal reserve

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.



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

3) Earnings distribution

There was no earnings distribution for 2022 and 2021 based on the resolution made during the shareholders' meeting on June 15, 2023 and June 16, 2022.

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

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

(iv) Other comprehensive income 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	31,556
Income tax	(6,311)
Balance at December 31, 2023	\$ <b>15,086</b>
Balance at January 1, 2022	\$ (77,767)
Exchange differences on foreign operations	84,510
Income tax	(16,902)
Balance at December 31, 2022	\$ <b>(10,159)</b>

(r) Earnings per share

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

(i) Basic earnings per share

	<b>2023</b>	<b>2022</b>
Net profit attributable to ordinary shareholders of the Company (basic)	\$ <b>110,993</b>	<b>108,881</b>
Weighted average number of ordinary shares outstanding (in thousands of shares)	<b>54,950</b>	<b>54,950</b>
Basic earnings per share (expressed in NT dollars)	\$ <b>2.02</b>	<b>1.98</b>

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(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net profit attributable to ordinary shareholders of the Company (basic)	\$ 110,993	108,881
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	-	54
Net profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 110,993</u>	<u>108,935</u>
Weighted average number of ordinary shares outstanding (basic) (in thousands of shares)	54,950	54,950
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	-	74
Effect on employees' compensation	69	-
Weighted average number of ordinary shares outstanding (diluted) (in thousands of shares)	<u>55,019</u>	<u>55,024</u>
Diluted earnings per share (expressed in NT dollars)	<u>\$ 2.02</u>	<u>1.98</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
Europe	\$ 1,282,767	1,502,359
Asia	618,013	425,860
Americas	868,313	655,150
Others	1,657	588
	<u>\$ 2,770,750</u>	<u>2,583,957</u>
<u>Major products/services</u>		
Sales of goods	2,256,732	2,270,951
Rendering of services	514,018	313,006
	<u>\$ 2,770,750</u>	<u>2,583,957</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	<u>\$ 178,607</u>	<u>345,740</u>	<u>287,584</u>

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

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

(t) Employee compensation and directors' remuneration

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

For the years ended December 31, 2023, the Company estimated its employee compensation and directors' remuneration amounting to \$3,464 thousand and \$1,299 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed

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under operating expenses during 2023. There were profit before tax for the year ended December 31, 2022, but the Company still have accumulated losses, so there should be retained for offsetting deficits, no employees' compensation and directors' remuneration was recognized. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	\$ <b>11,384</b>	<b>1,427</b>

(ii) Other income

The details of other income were as follows:

	<b>2023</b>	<b>2022</b>
Rent income	\$ 169	184
Government grants	515	362
Benefit for writing off overdue amounts	-	20,310
Others	1,992	5,653
	\$ <b>2,676</b>	<b>26,509</b>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>2023</b>	<b>2022</b>
Gains (losses) on disposals of property, plant and equipment	\$ (1,847)	936
Losses of lease modification	-	(3,347)
Foreign exchange gains	673	87,951
Losses on financial assets (liabilities) at fair value through profit or loss	-	(286)
Others	(47)	(1,489)
Net other gains(losses)	\$ <b>(1,221)</b>	<b>83,765</b>

(iv) Finance costs

The details of finance costs were as follows:

	<b>2023</b>	<b>2022</b>
Interest expenses-bank loans	\$ 32,327	27,897
Interest expenses-convertible bonds	-	70
Interest expenses-lease liabilities	4,935	5,482
	\$ <b>37,262</b>	<b>33,449</b>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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As of December 31, 2023 and 2022, the Group's major customers consisted of five customers which accounted for 51% and 61%, respectively, of trade receivable. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

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

Other financial assets at amortized cost includes other receivables. The financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Other receivables had no impairment provision for the years ended December 31, 2023 and 2022.

(ii) Liquidity risk

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

		<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>Over 1 year</u>
<b>December 31, 2023</b>					
Non derivative financial liabilities					
Short-term borrowings	\$	552,000	553,572	553,572	-
Trade and other payables		468,944	468,944	468,944	-
Long-term borrowings (current portion included)		953,294	1,020,344	3,532	1,016,812
Lease liabilities (current and non-current)		<u>135,940</u>	<u>136,152</u>	<u>36,085</u>	<u>100,067</u>
	\$	<u><b>2,110,178</b></u>	<u><b>2,179,012</b></u>	<u><b>1,062,133</b></u>	<u><b>1,116,879</b></u>
<b>December 31, 2022</b>					
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)		<u>159,324</u>	<u>159,426</u>	<u>61,385</u>	<u>98,041</u>
	\$	<u><b>2,196,016</b></u>	<u><b>2,217,074</b></u>	<u><b>1,811,032</b></u>	<u><b>406,042</b></u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows: (in thousands)

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>Financial assets</b>						
<u>Monetary items</u>						
EUR	\$	2,893	98,315	6,987	32.72	228,619
USD		12,590	386,579	10,725	30.71	329,352
CNY		9,727	42,091	307	4.408	1,354
<b>Financial liabilities</b>						
<u>Monetary items</u>						
EUR		39	1,318	275	32.72	8,998
USD		86	2,638	67	30.71	2,059

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables; and trade and other payables that are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the EUR, USD, and CNY as of December 31, 2023 and 2022, would have increased (decreased) the net profit after tax by \$4,184 thousand and \$4,386 thousand, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$673 thousand and \$87,951 thousand, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 0.25%, the Group's net income would have increased / decreased by \$3,763 thousand and \$4,001 thousand for the years ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

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

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**December 31, 2023**

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

**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	-	-	-	-
Trade receivables and notes receivable	513,968	-	-	-	-
Other receivables	22,016	-	-	-	-
Refundable deposits	2,550	-	-	-	-
Subtotal	<u>\$ 1,438,683</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>

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

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

2.1) Financial assets measured at amortized cost

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

2.2) Financial assets and financial liabilities measured at amortized cost

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

3) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2023 and 2022.

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(w) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

The Group's hedging strategy for engaging in derivatives trading is mainly based on the Group's stable and safe operations. All derivative transactions entered into by the Group are designated as either hedging or trading. Derivative transactions entered into for hedging purposes must hedge risk against fluctuations in foreign exchange rates and interest rates arising from operating activities. The currencies and the amount of derivative instruments held by the Group must match its hedged assets and liabilities denominated in foreign currencies.

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

(iii) Credit risk

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

1) Trade and other receivables

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

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

2) Investments

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

3) Guarantees

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The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2023 and 2022, no other guarantees were outstanding.

(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line were amounted to \$507,000 thousand and \$700,000 thousand, respectively.

(v) Market risk

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

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

1) Currency risk

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

2) Interest rate risk

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

(x) Capital management

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

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

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

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



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	December 31, 2023	December 31, 2022
Total liabilities	\$ 2,410,961	2,625,996
Less: cash and cash equivalents	(838,416)	(900,149)
Net debt	1,572,545	1,725,847
Total equity	1,420,300	1,282,852
Total capital	\$ <u>2,992,845</u>	<u>3,008,699</u>
Debt-to-equity ratio	53%	57%

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

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

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

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

		Non-cash changes				
	January 1, 2022	Cash flows	Increase (decrease) for the period	Foreign exchange movement	Changes in lease payments	December 31, 2022
Short-term borrowings	\$ 753,400	409,000	-	-	-	1,162,400
Bonds payable	4,730	(4,800)	70	-	-	-
Lease liabilities (current and non-current)	167,367	(33,647)	35,113	(12,856)	3,347	159,324
Long-term borrowings (current portion included)	963,659	(526,207)	-	661	-	438,113
Total liabilities from financing activities	\$ <u>1,889,156</u>	<u>(155,654)</u>	<u>35,183</u>	<u>(12,195)</u>	<u>3,347</u>	<u>1,759,837</u>

## 7. Related-party transactions

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	\$ 13,315	14,873
Post-employment benefits	394	657
	\$ <u>13,709</u>	<u>15,530</u>

## 8. Pledged Assets

The carrying values of pledged assets were as follows:

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<u>Pledged Assets</u>	<u>Subject of pledge guarantee</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	Collateral for bank borrowings and credit lines	\$ 123,978	123,978
Buildings and structures	Collateral for bank borrowings and credit lines	3,971	7,637
		<u>\$ 127,949</u>	<u>131,615</u>

**9. Significant commitments and contingencies**

The Group's unrecognized contractual commitments were as follows:

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

**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 item \ By function		2023			2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary	\$	353,966	216,206	570,172	332,398	203,104	535,502
Labor and health insurance		49,519	22,620	72,139	45,701	20,577	66,278
Pension		21,508	10,784	32,292	18,889	8,790	27,679
Others		2,373	8,854	11,227	2,763	4,622	7,385
Depreciation		101,705	31,563	133,268	116,119	58,308	174,427
Amortization		206	28,687	28,893	134	27,510	27,644

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**13. Other disclosures**

(a) Information on significant transactions

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties (Note 4)	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 2)
													Item	Value		
0	The Company	Quaser Europe Gmbh	Other receivables	Yes	127,123	34,772	34,772		1	90,147	-	-	-	-	142,030	568,120
0	The Company	Kunshan Quaser	Other receivables	Yes	21,333	-	-		1	42,966	-	-	-	-	142,030	568,120
0	The Company	Quaser America	Other receivables	Yes	42,692	5,835	5,835		1	119,632	-	-	-	-	142,030	568,120
0	The Company	Winbro LLC	Other receivables	Yes	54,616	18,829	18,829		1	81,249	-	-	-	-	142,030	568,120
0	The Company	Winbro Ltd	Other receivables	Yes	15,267	244	244		1	48,151	-	-	-	-	142,030	568,120
1	Quaser Europe	Quaser Europe Gmbh	Other receivables	Yes	44,201	43,644	43,644		1	-	-	-	-	-	178,140	178,140
2	Winbro Ltd	Winbro LLC	Other receivables	Yes	68,743	60,723	60,723		1	86,985	-	-	-	-	1,971,408	1,971,408
3	Winbro LLC	Winbro Ltd	Other receivables	Yes	10,055	10,055	10,055		1	479	-	-	-	-	1,349,952	1,349,952
4	Quaser America	Winbro LLC	Other receivables	Yes	99,373	95,787	95,787		1	92,845	-	-	-	-	394,776	394,776

Note 1: Individual financing amount must be less than 10%, 400%, 400%, 400% and 400% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LLC's and Quaser America's latest net asset value (the Company's net asset value as of December 31, 2023 was \$1,420,300 thousand  $\times$  10% = \$142,030 thousand; Quaser Europe's net asset value as of December 31, 2023 was \$44,535 thousand  $\times$  400% = \$178,140 thousand; Winbro Ltd's net asset value as of December 31, 2023 was \$492,852

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thousand  $\times$  400% = \$1,971,408 thousand; Winbro LLC's net asset value as of December 31, 2023 was \$337,488 thousand  $\times$  400% = \$1,349,952 thousand; Quaser America's net asset value as of December 31, 2023 was \$98,694 thousand  $\times$  400% = \$394,776 thousand).

Note 2: The maximum amount must be less than 40%, 400%, 400%, 400% and 400% of the Company's, Quaser Europe's, Winbro Ltd's, Winbro LLC's and Quaser America's latest net asset value (the Company's net asset value as of December 31, 2023 was \$1,420,300 thousand  $\times$  40% = \$568,120 thousand; Quaser Europe's net asset value as of December 31, 2023 was \$44,535 thousand  $\times$  400% = \$178,140 thousand; Winbro Ltd's net asset value as of December 31, 2023 was \$492,852 thousand  $\times$  400% = \$1,971,408 thousand; Winbro LLC's net asset value as of December 31, 2023 was \$337,488 thousand  $\times$  400% = \$1,349,952 thousand; Quaser America's net asset value as of December 31, 2023 was \$98,694 thousand  $\times$  400% = \$394,776 thousand).

Note 3: The nature of financing provided could be:

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

Note 4: When the nature of financing provided was for business relationship, the business transaction amount should be listed. The amounts were from the business transactions of the most recent year between the lender and the borrower.

Note 5: Significant intercompany accounts and transactions have been eliminated.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD 300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Quaser Europe Gmbh	Investments accounted for using equity method	Quaser Europe Gmbh	Subsidiary	25,000	841	-	120,607 (Note)	-	-	-	-	25,000	121,448

Note : The above amount is the investment cost. For information on its book value, please refer to note 13 (b) "Information on investees".

(v) Acquisition of individual real estate with amounts exceeding the lower of TWD 300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amounts exceeding the lower of TWD 300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD 100 million or 20% of the capital stock:

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(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes receivable/ Trade receivables (Notes payable/ Trade payables)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes receivable/trade receivables (Notes payable/ Trade payables)	
The Company	Kunshan Quaser	Parent and subsidiary companies	Sales	147,511	5%	T/T 180 days	-		27,518	4%	
The Company	Winbro LLC	Parent and sub-subsidiary companies	Sales	116,909	4%	T/T 120 days	-		48,013	7%	
Winbro Ltd	Winbro LLC	Sub-subsidiary companies	Sales	112,572	4%	T/T 90 days	-		130,342	18%	

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

Name of related party	Counter-party	Relationship	Balance of receivable from related party	Turnover rate (Note)	Overdue		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Winbro Ltd	Winbro LLC	Sub-subsidiary companies	130,342	2.07	60,723	Accounting for other receivables.	30,705	-

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Kunshan Quaser	1	Sales	147,511	T/T 180 days	5%
0	The Company	Kunshan Quaser	1	Trade receivable	27,518	T/T 180 days	1%
0	The Company	Quaser Europe Gmbh	1	Sales	86,319	T/T 180 days	3%
0	The Company	Quaser Europe Gmbh	1	Trade receivable	19,535	T/T 180 days	1%
0	The Company	Quaser Europe Gmbh	1	Other receivables	22,505	T/T 180 days	1%
0	The Company	Winbro Ltd	2	Sales	56,823	T/T 120 days	2%

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No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Winbro Ltd	2	Purchases	25,298	T/T 30 days	1%
0	The Company	Winbro Ltd	2	Trade receivable	17,105	T/T 120 days	-%
0	The Company	Winbro Ltd	2	Accounts payable	52,309	T/T 30 days	1%
0	The Company	Winbro Ltd	2	Other receivables	19,070	T/T 120 days	-%
0	The Company	Winbro LLC	2	Sales	116,909	T/T 120 days	4%
0	The Company	Winbro LLC	2	Trade receivable	48,013	T/T 120 days	1%
0	The Company	Winbro LLC	2	Other receivables	18,747	T/T 120 days	-%
1	Quaser America	Winbro LLC	4	Trade receivable	93,454	T/T 120 days	2%
2	Quaser Europe Gmbh	Quaser Europe	3	Accounts payable	43,344	T/T 180 days	1%
3	Winbro Ltd	Winbro LLC	5	Sales	112,572	T/T 90 days	4%
3	Winbro Ltd	Winbro LLC	5	Trade receivable	69,619	T/T 90 days	2%
3	Winbro Ltd	Winbro LLC	5	Other receivables	60,723	T/T 90 days	2%
4	Winbro LLC	Winbro Ltd	5	Trade receivable	12,165	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 sub-subsidiary.
- 3) "3" represents the transactions between subsidiaries.
- 4) "4" represents the transactions from subsidiary to sub-subsidiary.
- 5) "5" represents the transactions between sub-subsidiaries.

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(b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in mainland China):

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Amount held at the end of the period			Highest percentage of ownership during the year	Net income (loss) of the investee	Investment income (loss) recognized by the Company (Note 1)	Note
				End of the period	End of the previous year	Shares	Percentage of ownership	Carrying value				
The Company	Quaser Europe	Switzerland	Buys and sells machines	3,076	3,076	1,000	100%	44,535	100%	(49)	(49)	Subsidiary
The Company	Quaser America	America	Buys and sells machines	189,455	189,455	6,000,000	100%	98,694	100%	(4,787)	(4,787)	Subsidiary (Note 3)
The Company	Winbro UK	United Kingdom	Overseas reinvested holding company	1,845,204	1,845,204	1,425,000	100%	1,351,461	100%	93,741	47,409	Subsidiary
The Company	Quaser Europe GmbH	Germany	Buys and sells machines	121,448	841	25,000	100%	87,540	100%	(3,484)	(3,484)	Subsidiary
Winbro UK	Winbro Ltd	United Kingdom	Aerospace machinery manufacturing and machining	GBP 90	GBP 90	9,029,804	100%	GBP 12,589	100%	GBP (1,046)	(Note 2)	Sub-subsubsidiary
Winbro UK	Winbro LLC	America	Aerospace machinery manufacturing and machining	USD 33,576	USD 33,576	-	100%	USD 10,991	100%	USD 4,274	(Note 2)	Sub-subsubsidiary

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 December 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:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (loss) recognized	Book value as of December 31, 2023	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Kunshan Quaser (Note)	Buys and sells machines	49,238 (USD 1,500)	The investment was made direct investments in companies in mainland China	38,500 (USD 1,280)	-	-	38,500 (USD 1,280)	14,870	100%	100%	14,870	12,718	-

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Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (loss) recognized	Book value as of December 31, 2023	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Zhongshan Xuguang	Manufacturing and selling machines	86,220 (CNY 20,000)	The investment was made direct investments in companies in mainland China	-	34,889 (CNY8,000)	-	34,889 (CNY8,000)	(187)	40%	40%	(75)	34,542	-

Note : Significant intercompany accounts and transactions have been eliminated.

(ii) Limitation on investment in mainland China:

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

Accumulated Investment in mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper limit on investment
NTD\$73,389 (USD\$ 1,280) (CNY\$ 8,000)	NTD\$73,389 (USD\$ 1,280) (CNY\$ 8,000)	852,180

(iii) Significant transactions

The significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(d) Major shareholders

Unit: Shares

Shareholding Shareholder's Name	Shares	Percentage
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 %



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**14. Segment information**

(a) General information

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

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

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

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

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

		<b>2023</b>		
		<b>Computer numerical control machines</b>	<b>Aerospace processing machines</b>	<b>Total</b>
Total revenue	\$	<u><b>1,140,874</b></u>	<u><b>1,629,876</b></u>	<u><b>2,770,750</b></u>
Reportable segment profit or loss	\$	<u><b>52,516</b></u>	<u><b>156,572</b></u>	<u><b>209,088</b></u>
<b>2022</b>				
		<b>Computer numerical control machines</b>	<b>Aerospace processing machines</b>	<b>Total</b>
Total revenue	\$	<u><b>1,664,177</b></u>	<u><b>919,780</b></u>	<u><b>2,583,957</b></u>
Reportable segment profit or loss	\$	<u><b>46,077</b></u>	<u><b>18,304</b></u>	<u><b>64,381</b></u>

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

(c) Product and service information

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

<b>Product and services</b>	<b>2023</b>	<b>2022</b>
Computer numerical control machines	\$ 1,135,101	1,659,162
Aerospace processing machines	1,121,631	611,789
Revenue from rendering of services	514,018	313,006
Total	<u><b>\$ 2,770,750</b></u>	<u><b>2,583,957</b></u>

(d) Geographic information

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

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<b>Geographical information</b>	<b>2023</b>	<b>2022</b>
Revenue from external customers:		
Asia	\$ 618,013	425,860
Europe	1,282,767	1,502,359
America	868,313	655,150
Others	1,657	588
Total	<b>\$ 2,770,750</b>	<b>2,583,957</b>

<b>Geographical information</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Non-current assets:		
Asia	\$ 182,438	159,756
Europe	385,485	451,362
America	150,721	202,804
Total	<b>\$ 718,644</b>	<b>813,922</b>

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

(e) Major customers

Information on major customers that exceed 10% of operating revenue in the consolidated income statements of the Group for the years ended December 31, 2023 and 2022, were as follows:

	<b>2023</b>	<b>2022</b>
T Company	<b>\$ 136,006</b>	<b>423,598</b>
S Company	<b>\$ 425,590</b>	<b>400,984</b>
R Company	<b>\$ 303,345</b>	<b>270,245</b>
G Company	<b>\$ 327,900</b>	<b>144,287</b>