

QUASER MACHINE TOOLS, INC.**Parent Company Only Financial Statements****With Independent Auditors' Report****For the Years Ended December 31, 2023 and 2022**

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The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~20
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	20~21
(6) Explanation of significant accounts	21~43
(7) Related-party transactions	43~45
(8) Pledged assets	45
(9) Significant commitments and contingencies	45
(10) Losses due to major disasters	45
(11) Subsequent events	45
(12) Other	46
(13) Other disclosures	
(a) Information on significant transactions	47~49
(b) Information on investees	49~50
(c) Information on investment in mainland China	50~51
(d) Major shareholders	51
(14) Segment information	51
9. List of major account titles	52~61

Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Parent Company Only Financial Statements section of our report. We are independent of the Company 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 Parent Company Only financial statements of the current period. These matters were addressed in the context of our audit of the 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 investments accounted for using equity method impairment

Please refer to Note 4(m) for accounting policies, Note 5 for accounting assumptions, judgements and estimation uncertainty, and Note 6(d) for the assessment of investments accounted for using equity method impairment.

Description of key audit matter:

The carrying amount of investments accounted for using equity method-subsiary-Winbro Group UK Limited occupying 41% of the Company's total assets. The carrying amount includes goodwill and the amount is significant. Impairment assessment requires an estimate of the recoverable amount based on the investee company's forecast of future operations and discounted future cash flows projection. 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 Company's controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Company; 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 Company's disclosures of its policy on impairment of investments accounted for using equity method 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 Company 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 Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Company'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 Company's disclosures of its revenue recognition policy and other related disclosures.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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 parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

QUASER MACHINE TOOLS, INC.**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	%
Current assets:					Current liabilities:				
Cash and cash equivalents (Note 6(a))	\$ 369,855	11	422,530	13	Short-term borrowings (Note 6(i) and 8)	\$ 552,000	17	1,162,400	35
Notes receivable, net (Note 6(b))	30,571	1	20,624	1	Current contract liabilities (Note 6(s))	106,558	3	106,808	4
Trade receivable, net (Note 6(b))	258,366	8	211,528	6	Notes payable	171	-	162	-
Trade receivable due from related parties (note 7)	112,170	3	202,281	6	Accounts payable	132,671	4	134,457	4
Other receivables	2,803	-	5,777	-	Accounts payable due from related parties (note 7)	52,805	2	88,348	3
Other receivables due from related parties (note 7)	66,481	2	74,649	2	Other payables (Note 6(k))	43,913	1	39,573	1
Current tax assets	80	-	80	-	Other payables due from related parties (note 7)	5,562	-	3,027	-
Inventories (Note 6(c))	543,230	16	642,302	19	Current tax liabilities	24,270	1	-	-
Other current assets (Note 6(h))	20,678	1	45,245	2	Current provisions (Note 6(n))	8,143	-	8,838	-
	<u>1,404,234</u>	<u>42</u>	<u>1,625,016</u>	<u>49</u>	Current lease liabilities (Note 6(j))	3,740	-	2,141	-
					Long-term borrowing, current portion (Note 6(l) and 8)	2,806	-	135,224	4
					Other current liabilities	831	-	964	-
						<u>933,470</u>	<u>28</u>	<u>1,681,942</u>	<u>51</u>
Non-current assets:					Non-Current liabilities:				
Investments accounted for using equity method (Note 6(d))	1,629,490	49	1,411,531	43	Long-term borrowings (Note 6(l) and 8)	950,488	29	302,889	9
Property, plant and equipment (Note 6(e) and 8)	167,122	5	147,349	4	Non-current provisions (Note 6(n))	4,668	-	4,106	-
Right-of-use assets (Note 6(f))	8,275	-	5,126	-	Deferred tax liabilities (Note 6(p))	4,727	-	10,346	-
Intangible assets (Note 6(g))	5,581	-	6,397	-	Non-current lease liabilities (Note 6(j))	4,322	-	2,807	-
Deferred tax assets (Note 6(p))	79,192	3	93,222	3	Credit balance for investments accounted for using the equity method (Note 6(d))	-	-	24,906	1
Refundable deposits	2,620	-	2,550	-		<u>964,205</u>	<u>29</u>	<u>345,054</u>	<u>10</u>
Net defined benefit assets (Note 6(o))	21,461	1	18,657	1		<u>1,897,675</u>	<u>57</u>	<u>2,026,996</u>	<u>61</u>
	<u>1,913,741</u>	<u>58</u>	<u>1,684,832</u>	<u>51</u>	Total liabilities				
					Equity: (Note 6(q))				
					Common stock	549,500	17	549,500	17
					Capital surplus	820,363	25	880,109	26
					Unappropriated retained earnings (Accumulated deficit)	35,351	1	(136,598)	(4)
					Other Equity	15,086	-	(10,159)	-
					Total equity	<u>1,420,300</u>	<u>43</u>	<u>1,282,852</u>	<u>39</u>
Total assets	\$ 3,317,975	100	3,309,848	100	Total liabilities and equity	\$ 3,317,975	100	3,309,848	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

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

	2023		2022	
	Amount	%	Amount	%
Operating revenue (Note 6(s) and 7)	\$ 1,310,822	100	1,622,274	100
Operating costs (Note 6(c), (o), 7 and 12)	1,040,764	79	1,324,518	82
Gross profit	270,058	21	297,756	18
Realized (Unrealized) Profit or loss from sales	1,929	-	(29,964)	(2)
Gross profit, net	271,987	21	267,792	16
Operating expenses (Note 6(o), (t) and 12):				
Selling expenses	66,608	5	101,130	6
Administrative expenses	91,256	7	87,554	6
Research and development expenses	25,190	2	23,194	1
Expected credit loss (Note 6(b))	957	-	781	-
	184,011	14	212,659	13
Operating income	87,976	7	55,133	3
Non-operating income and expenses (Note 6(u)):				
Interest income	5,009	-	1,157	-
Other income	6,972	1	14,015	1
Other gains and losses	16,137	1	82,875	5
Finance costs (Note 6 (j) and (m))	(32,416)	(3)	(28,008)	(1)
Share of profit of associates accounted for using equity method	53,884	4	13,682	1
	49,586	3	83,721	6
Profit before income tax	137,562	10	138,854	9
Less: Income tax expenses (Note 6 (p))	26,569	2	29,973	2
Profit for the period	110,993	8	108,881	7
Other comprehensive income:				
Components of other comprehensive income that will not be reclassified to profit or loss:				
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	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	31,556	2	84,510	5
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6 (p))	(6,311)	-	(16,902)	(1)
	25,245	2	67,608	4
Other comprehensive income for the period, net of tax	26,455	2	73,052	4
Total comprehensive income	\$ 137,448	10	181,933	11
Earnings per share (NT Dollars) (Note 6(r))				
Basic earnings per share	\$ 2.02		1.98	
Diluted earnings per share	\$ 2.02		1.98	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

QUASER MACHINE TOOLS, INC.

Statements of Changes in Equity

For the Years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar)

	Retained earnings						Other equity	Total equity
					Unappropriated retained earnings (accumulated deficit)	Total	Exchange differences on translation of foreign financial statements	
	Common stock	Capital surplus	Legal reserve	Special reserve				
Balance at January 1, 2022	\$ 549,500	880,109	204,502	2,724	(458,149)	(250,923)	(77,767)	1,100,919
Profit for the period	-	-	-	-	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	-	-	-
Balance at December 31, 2022	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Balance at January 1, 2023	\$ 549,500	880,109	-	2,724	(139,322)	(136,598)	(10,159)	1,282,852
Profit for the period	-	-	-	-	110,993	110,993	-	110,993
Other comprehensive income for the period	-	-	-	-	1,210	1,210	25,245	26,455
Total comprehensive income for the period	-	-	-	-	112,203	112,203	25,245	137,448
Appropriation of earnings:								
Capital surplus used to offset accumulated deficits	-	(59,746)	-	-	59,746	59,746	-	-
Balance at December 31, 2023	\$ 549,500	820,363	-	2,724	32,627	35,351	15,086	1,420,300

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

QUASER MACHINE TOOLS, INC.**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>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 137,562	138,854
Adjustments:		
Adjustments to reconcile profit		
Depreciation expense	14,644	14,807
Amortization expense	2,346	2,025
Expected credit loss	957	781
Net loss on financial assets or liabilities at fair value through profit or loss	-	286
Interest expense	32,416	28,008
Interest income	(5,009)	(1,157)
Share of profit of associates accounted for using equity method	(53,884)	(13,682)
Gain on disposal of property, plant and equipment	(34)	(189)
Unrealized profit or loss from sales	(1,929)	29,964
Unrealized foreign exchange loss (gain)	31,473	(48,246)
Total adjustments to reconcile profit	<u>20,980</u>	<u>12,597</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	(9,947)	28,648
Decrease (increase) in trade receivable (including from related parties)	19,951	(166,219)
Decrease in other receivable (including from related parties)	8,916	7,739
Decrease in inventories	91,389	7,427
Decrease (increase) in other current assets	24,349	(8,701)
Increase in net defined benefit assets	(1,291)	(1,063)
Total changes in operating assets	<u>133,367</u>	<u>(132,169)</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	(250)	50,014
Increase (decrease) in notes payable	9	(4,628)
Decrease in accounts payable (including from related parties)	(36,655)	(18,436)
Increase in other payable (including from related parties)	4,799	3,556
Increase (decrease) in provisions	(133)	1,570
Decrease in other current liabilities	(133)	(8,719)
Total changes in operating liabilities	<u>(32,363)</u>	<u>23,357</u>
Total changes in operating assets and liabilities	<u>101,004</u>	<u>(108,812)</u>
Total adjustments	<u>121,984</u>	<u>(96,215)</u>

(Continued)

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

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

	2023	2022
Cash inflow generated from operations	259,546	42,639
Interest received	5,009	1,157
Interest paid	(30,514)	(27,681)
Income taxes refund (paid)	(502)	2,739
Net cash flows from (used in) operating activities	233,539	18,854
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(155,496)	-
Acquisition of property, plant and equipment	(23,721)	(2,899)
Proceeds from disposal of property, plant and equipment	34	189
Decrease (increase) in refundable deposits	(70)	784
Acquisition of intangible assets	(1,530)	(995)
Net cash flows from (used in) investing activities	(180,783)	(2,921)
Cash flows from (used in) financing activities:		
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)	(517,106)
Payments of lease liabilities	(2,830)	(3,069)
Net cash flows from (used in) financing activities	(98,049)	(115,975)
Effect of exchange rate changes on cash and cash equivalents	(7,382)	26,463
Net decrease in cash and cash equivalents	(52,675)	(73,579)
Cash and cash equivalents at beginning of period	422,530	496,109
Cash and cash equivalents at end of period	\$ 369,855	422,530

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

QUASER MACHINE TOOLS, INC.

Notes to the Parent Company Only 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 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 financial statements

The accompanying parent company only 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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company has initially adopted the new amendment, which do not have a significant impact on its 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 Company 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 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 Company 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 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.
Notes to the Parent Company Only Financial Statements

- 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 financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

The parent company only 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”).

(b) Basis of preparation

1) Basis of measurement

Except for the following significant accounts, the parent company only 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 is determined based on the primary economic environment in which the entity operates. The Company’s 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) Foreign currencies

1) Foreign currency transactions

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

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

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

2) Foreign operations

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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 Company's 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 Company 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.

(d) 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 Company 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.

(e) 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.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company 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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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

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

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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company 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 Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

(iv) Derecognition of financial assets

The Company 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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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 Company 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 Company 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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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 Company 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 Company 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.

(g) 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.

(h) Investment in associates

Associates are those entities in which the Company 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 parent company only financial statements include the Company'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 Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company 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 Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant and equipment

1) Recognition and measurement

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

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

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

2) Subsequent expenditure

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

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 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 Company 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 Company 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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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

(l) Intangible assets

1) Recognition and measurement

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 Company 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 software and trademarks, that are acquired by the Company 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)	Technology licenses	2-20 years
(4)	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 Company 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.

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).

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.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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 Company 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 Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

i) Sale of goods

The Company manufactures and sells machines and parts. The Company 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 Company 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 Company 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 Company 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 Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

1) Defined contribution plans

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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

2) Defined benefit plans

The Company'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 Company, 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 Company 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 Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3) Other long-term employee benefits

The Company'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 Company 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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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 Company 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 Company 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 Company 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

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

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

In preparing these parent company only 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 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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

on the amounts recognized in the parent company only financial statements is as follows:

Impairment of investments accounted for using equity method

The assessment of impairment of investments accounted for using equity method requires the Company 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(d) for further description of the impairment of investment accounted for using equity method.

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

The Company'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 Company 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

	December 31, 2023	December 31, 2022
Petty cash and cash on hand	\$ 924	1,082
Checking and demand deposits	296,467	329,318
Time deposits	72,464	92,130
Cash and cash equivalents in the statement of cash flows	\$ 369,855	422,530

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

(b) Notes receivable and trade receivable

	December 31, 2023	December 31, 2022
Notes receivable from operating activities	\$ 30,571	20,624
Trade receivables—measured as amortized cost	260,114	212,319
Less: Loss allowance	(1,748)	(791)
	\$ 288,937	232,152

The Company 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:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

December 31, 2023			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 262,352	- %	-
1 to 30 days past due	13,371	- %	-
31 to 60 days past due	8,721	5.00 %	436
61 to 90 days past due	187	10.16 %	19
91 to 180 days past due	5,914	20.00 %	1,183
181 to 360 days past due	59	49.15 %	29
More than 361 days past due	81	100.00 %	81
	\$ 290,685		1,748

December 31, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 227,228	- %	-
1 to 30 days past due	1,509	- %	-
31 to 60 days past due	771	1.31 %	21
61 to 90 days past due	85	12.10 %	10
91 to 180 days past due	3,113	20.50 %	638
181 to 360 days past due	230	50.00 %	115
More than 361 days past due	7	100.00 %	7
	\$ 232,943		791

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

	2023	2022
Balance at January 1	\$ 791	16
Impairment losses recognized	957	781
Amounts written off	-	(6)
Balance at December 31	\$ 1,748	791

The Company'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

	December 31, 2023	December 31, 2022
Raw materials	\$ 248,532	317,084
Work in progress	210,578	238,435
Finished goods	69,181	86,783
Goods	14,939	-
	\$ 543,230	642,302

For the years ended December 31, 2023 and 2022, the amounts recognized as cost of sales in relation to inventories were \$1,038,910 thousand and \$1,325,175 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 \$1,854 thousand and \$(657) thousand, respectively. As of December 31, 2023 and 2022, none of the Company's inventories were pledged as collateral.

(d) Investments accounted for using equity method

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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	December 31, 2023	December 31, 2022
Subsidiaries	\$ 1,594,948	1,386,625
Associates	34,542	-
	1,629,490	1,386,625

(i) Subsidiaries

Please refer to the consolidated financial statements for the year 2023.

The Company conducted an impairment test on the goodwill contained in the subsidiary, Winbro UK, a part of the investment accounted for using equity method. Based on the impairment assessment for the years ended December 31, 2023 and 2022, no impairment losses were recognized. Please refer to note 6(g) of the consolidated financial statements for the year 2023.

(ii) Associates

The Company 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 Company has significant influence on Zhongshan Xuguang Machinery Technology Co., Ltd.

The Company'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 parent company only financial statements.

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

(iii) The Company'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 Company 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	Total
Cost:							
Balance at January 1, 2023	\$ 123,978	194,056	46,584	485	49,119	138,381	552,603
Additions	-	5,526	10,101	-	3,301	4,793	23,721
Disposals	-	-	(1,307)	-	-	(1,045)	(2,352)
Reclassification	-	218	7,683	-	-	-	7,901
Balance at December 31, 2023	\$ 123,978	199,800	63,061	485	52,420	142,129	581,873
Balance at January 1, 2022	\$ 123,978	194,056	59,336	485	48,614	137,802	564,271
Additions	-	-	1,074	-	505	1,320	2,899
Disposals	-	-	(16,276)	(232)	-	(741)	(17,249)
Reclassification	-	-	2,450	232	-	-	2,682
Balance at December 31, 2022	\$ 123,978	194,056	46,584	485	49,119	138,381	552,603
Accumulated depreciation and impairments loss:							
Balance at January 1, 2023	\$ -	185,119	42,116	485	46,262	131,272	405,254
Depreciation	-	4,061	2,578	-	1,644	3,566	11,849
Disposals	-	-	(1,307)	-	-	(1,045)	(2,352)
Balance at December 31, 2023	\$ -	189,180	43,387	485	47,906	133,793	414,751
Balance at January 1, 2022	\$ -	180,755	57,251	485	44,137	127,966	410,594
Depreciation	-	4,364	1,141	-	2,125	4,047	11,677
Disposals	-	-	(16,276)	(232)	-	(741)	(17,249)
Reclassification	-	-	-	232	-	-	232
Balance at December 31, 2022	\$ -	185,119	42,116	485	46,262	131,272	405,254

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Molding equipment	Other equipment	Total
Carrying amount:							
Balance at December 31, 2023	\$ 123,978	10,620	19,674	-	4,514	8,336	167,122
Balance at January 1, 2022	\$ 123,978	13,301	2,085	-	4,477	9,836	153,677
Balance at December 31, 2022	\$ 123,978	8,937	4,468	-	2,857	7,109	147,349

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

(f) Right-of-use assets

The Company leases transportation equipment. Information about leases was presented below:

	<u>Transportation equipment</u>
Cost:	
Balance at January 1, 2023	\$ 7,951
Additions	5,944
Write-off	(1,267)
Balance at December 31, 2023	\$ 12,628
Balance at January 1, 2022	\$ 9,128
Additions	4,856
Write-off	(5,801)
Reclassification	(232)
Balance at December 31, 2022	\$ 7,951
Accumulated depreciation:	
Balance at January 1, 2023	\$ 2,825
Depreciation	2,795
Write-off	(1,267)
Balance at December 31, 2023	\$ 4,353
Balance at January 1, 2022	\$ 5,728
Depreciation	3,130
Write-off	(5,801)
Reclassification	(232)
Balance at December 31, 2022	\$ 2,825
Carrying amount:	
Balance at December 31, 2023	\$ 8,275
Balance at January 1, 2022	\$ 3,400
Balance at December 31, 2022	\$ 5,126

(g) Intangible assets

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

	Software	Technology licenses	Trademarks	Others	Total
Cost:					
Balance at January 1, 2023	\$ 6,804	2,430	127	1,332	10,693
Additions	808	586	136	-	1,530
Disposals	(649)	(70)	(32)	(200)	(951)
Balance at December 31, 2023	\$ 6,963	2,946	231	1,132	11,272
Balance at January 1, 2022	\$ 7,807	2,000	83	2,076	11,966
Additions	440	430	95	30	995
Disposals	(1,443)	-	(51)	(774)	(2,268)
Balance at December 31, 2022	\$ 6,804	2,430	127	1,332	10,693

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

		Software	Technology licenses	Trademarks	Others	Total
Accumulated amortization and impairment losses:						
Balance at January 1, 2023	\$	2,738	750	34	774	4,296
Amortization		1,357	571	50	368	2,346
Disposals		(649)	(70)	(32)	(200)	(951)
Balance at December 31, 2023	\$	<u>3,446</u>	<u>1,251</u>	<u>52</u>	<u>942</u>	<u>5,691</u>
Balance at January 1, 2022	\$	2,925	650	72	892	4,539
Amortization		1,256	100	13	656	2,025
Disposals		(1,443)	-	(51)	(774)	(2,268)
Balance at December 31, 2022	\$	<u>2,738</u>	<u>750</u>	<u>34</u>	<u>774</u>	<u>4,296</u>
Carrying amount:						
Balance at December 31, 2023	\$	<u>3,517</u>	<u>1,695</u>	<u>179</u>	<u>190</u>	<u>5,581</u>
Balance at January 1, 2022	\$	<u>4,882</u>	<u>1,350</u>	<u>11</u>	<u>1,184</u>	<u>7,427</u>
Balance at December 31, 2022	\$	<u>4,066</u>	<u>1,680</u>	<u>93</u>	<u>558</u>	<u>6,397</u>

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

	2023	2022
Operating cost	\$ 206	135
Operating expense	2,140	1,890
	<u>\$ 2,346</u>	<u>2,025</u>

(ii) Collateral

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

(h) Other current assets

The other current assets of the Company were as follows:

	December 31, 2023	December 31, 2022
Other current assets:		
Prepayments	\$ 20,333	45,213
Others	345	32
	<u>\$ 20,678</u>	<u>45,245</u>

(i) Short-term borrowings

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

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

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

(j) Lease liabilities

The lease liabilities of the Company were summarized as follows:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	December 31, 2023	December 31, 2022
Current	\$ 3,740	2,141
Non-current	\$ 4,322	2,807

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ 89	42
Expenses relating to short-term leases	\$ 1,459	1,299

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

	2023	2022
Total cash outflow for leases	\$ 4,378	4,410

The Company leases transportation equipment with lease terms of 2 to 3 years.

(k) Other payables

The other payables of the Company were summarized as follows:

	December 31, 2023	December 31, 2022
Salary and bonus payable	\$ 28,298	28,868
Pensions payable	1,925	1,914
Employee and director compensation payable	4,763	-
Others	8,927	8,791
	\$ 43,913	39,573

(l) Long-term borrowings

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

December 31, 2023				
	Currency	Rate	Maturity year	Amount
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				\$ 950,488
Unused long-term credit lines				\$ 871,706

December 31, 2022				
	Currency	Rate	Maturity year	Amount
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				\$ 302,889
Unused long-term credit lines				\$ 150,000

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

(i) Syndicated loan

The Company 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:

<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:

<u>(In Thousands of New Taiwan Dollars)</u>					
<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 Company 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 Company was in compliance with the above borrowing covenants.

(ii) Collateral for long-term borrowings

The Company 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:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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

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

	Warranties	Employee benefits
Balance at January 1, 2023	\$ 8,838	4,106
Provisions made during the year	10,394	562
Provisions used during the year	(11,089)	-
Balance at December 31, 2023	<u>\$ 8,143</u>	<u>4,668</u>
Balance at January 1, 2022	\$ 6,198	5,176
Provisions made during the year	14,695	-
Provisions used during the year	(12,055)	-
Provisions reversed during the year	-	(1,070)
Balance at December 31, 2022	<u>\$ 8,838</u>	<u>4,106</u>

- (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 Company's obligations for warranties under local sale of goods legislation. The provision is based on estimates made

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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:

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

The Company 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 Company 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 Company'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 Company were as follows:

	2023	2022
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	\$ 20,792	22,985

3) Movements of defined benefit plan assets

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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	2023	2022
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	\$ 42,253	41,642

4) Expenses recognized in profit or loss

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

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

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 Company were as follows:

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

6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.30%	1.50%
Future salary increase rate	2.50%	2.75%

The expected allocation payment to be made by the Company 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:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	Impact on the defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
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.

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 Company 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.

(p) Income taxes

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

	2023	2022
Current tax expense		
Current period	\$ 24,085	-
Adjustment for prior periods	687	-
	<u>24,772</u>	<u>-</u>
Deferred tax expense		
Origination and reversal of temporary differences	1,797	29,973
Income tax expense	<u>\$ 26,569</u>	<u>29,973</u>

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

	2023	2022
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:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	2023	2022
Profit before income tax	\$ 137,562	138,854
Income tax using the Company's domestic tax	\$ 27,513	27,771
Non-deductible expenses	-	14
Tax-exempt income	(4)	-
Adjustments of current income tax for prior periods	687	-
Effect of deferred income tax assets	-	561
Change in unrecognized temporary differences	(1,627)	1,627
Income tax expense	<u>\$ 26,569</u>	<u>29,973</u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2023	December 31, 2022
Aggregated amount of temporary differences related to investments in subsidiaries	\$ 207,969	207,969
Tax effect of deductible temporary differences	-	8,135
	<u>\$ 207,969</u>	<u>216,104</u>
Unrecognized deferred tax assets	<u>\$ 41,594</u>	<u>43,221</u>

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:

	Defined Benefit Plans	Inventory write- down	Unrealized gross profit	Loss carryforwards	Loss on foreign investment accounted for using the equity method	Exchange differences on translating foreign operations	Others	Total
Balance at January 1, 2023	\$ 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)
Balance at December 31, 2023	<u>\$ 4,930</u>	<u>7,502</u>	<u>9,927</u>	<u>-</u>	<u>48,909</u>	<u>-</u>	<u>7,924</u>	<u>79,192</u>
Balance at January 1, 2022	\$ 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)
Balance at December 31, 2022	<u>\$ 5,120</u>	<u>7,131</u>	<u>10,313</u>	<u>6,267</u>	<u>59,686</u>	<u>2,539</u>	<u>2,166</u>	<u>93,222</u>

Deferred tax liabilities:

	Exchange differences on translation of foreign financial statements	Unrealized exchange gains	Others	Total
Balance at January 1, 2023	\$ -	9,649	697	10,346
Recognized in profit or loss	-	(9,649)	258	(9,391)
Recognized in other comprehensive income	3,772	-	-	3,772
Balance at December 31, 2023	<u>\$ 3,772</u>	<u>-</u>	<u>955</u>	<u>4,727</u>
Balance at January 1, 2022	\$ -	-	541	541
Recognized in profit or loss	-	9,649	156	9,805
Balance at December 31, 2022	<u>\$ -</u>	<u>9,649</u>	<u>697</u>	<u>10,346</u>

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

(v) 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:

	December 31, 2023	December 31, 2022
<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
	\$ 820,363	880,109

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.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

1) Legal reserve

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

2) Special reserve

As the Company opted for the exemptions allowed under IFRS1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs as endorsed by the FSC, it is stipulated to set aside the same amount of special surplus reserve of \$2,724 thousand were reclassified to retained earnings. A special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately.

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

3) Earnings distribution

There 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:

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

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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2023	\$ (10,159)
Exchange differences on foreign operations	31,556
Income tax	(6,311)
Balance at December 31, 2023	\$ 15,086
Balance at January 1, 2022	\$ (77,767)
Exchange differences on foreign operations	84,510
Income tax	(16,902)
Balance at December 31, 2022	\$ (10,159)

(r) Earnings per share

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

(i) Basic earnings per share

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

(ii) Diluted earnings per share

	2023	2022
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)	\$ 110,993	108,935
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)	55,019	55,024
Diluted earnings per share (expressed in NT dollars)	\$ 2.02	1.98

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
Europe	\$ 785,468	1,058,483
Asia	405,010	361,353
Americas	118,687	201,850
Others	1,657	588
	<u>\$ 1,310,822</u>	<u>1,622,274</u>
<u>Major products/services</u>		
Sales of goods	1,303,026	1,614,164
Rendering of services	7,796	8,110
	<u>\$ 1,310,822</u>	<u>1,622,274</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	<u>\$ 106,558</u>	<u>106,808</u>	<u>56,794</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 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 parent company only 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:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 5,009</u>	<u>1,157</u>

(ii) Other income

The details of other income were as follows:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	2023	2022
Rent income	\$ 169	184
Government grants	515	362
Management services	4,508	979
Benefit for writing off overdue amounts	-	11,445
Others	1,780	1,045
	\$ 6,972	14,015

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2023	2022
Gains on disposals of property, plant and equipment	\$ 34	189
Foreign exchange gains	16,103	84,338
Losses on financial assets (liabilities) at fair value through profit or loss	-	(286)
Others	-	(1,366)
	\$ 16,137	82,875

(iv) Finance costs

The details of finance costs were as follows:

	2023	2022
Interest expenses-bank loans	\$ 32,327	27,896
Interest expenses-convertible bonds	-	70
Interest expenses-lease liabilities	89	42
	\$ 32,416	28,008

(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

As of December 31, 2023 and 2022, the Company's major customers consisted of five customers which accounted for 63% and 79%, 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.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

		<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>Over 1 year</u>
December 31, 2023					
Non derivative financial liabilities					
Short-term borrowings	\$	552,000	553,572	553,572	-
Trade and other payables (including from related parties)		235,122	235,122	235,122	-
Long-term borrowings (current portion included)		953,294	1,020,344	3,532	1,016,812
Lease liabilities (current and non- current)		8,062	8,242	3,857	4,385
	\$	<u>1,748,478</u>	<u>1,817,280</u>	<u>796,083</u>	<u>1,021,197</u>
December 31, 2022					
Non derivative financial liabilities					
Short-term borrowings	\$	1,162,400	1,170,191	1,170,191	-
Trade and other payables (including from related parties)		265,567	265,567	265,567	-
Long-term borrowings (current portion included)		438,113	451,278	143,277	308,001
Lease liabilities (current and non- current)		4,948	5,049	2,203	2,846
	\$	<u>1,871,028</u>	<u>1,892,085</u>	<u>1,581,238</u>	<u>310,847</u>

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

(in thousands)							
	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets							
Monetary items							
USD	\$	12,154	30.705	373,187	11,581	30.71	355,681
EUR		4,013	33.98	136,371	9,670	32.72	316,426
CNY		16,159	4.327	69,920	7,959	4.408	35,078
Financial liabilities							
Monetary items							
USD		1,447	30.705	44,422	2,630	30.71	80,772
EUR		50	33.98	1,702	21	32.72	655
GBP		320	39.15	12,546	309	37.09	11,467

2) Sensitivity analysis

The Company'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, CNY and GBP as of December 31, 2023 and 2022, would have increased (decreased) the net profit after tax by \$4,166 thousand and \$4,914 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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

Since the Company 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 \$16,103 thousand and \$84,338 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company'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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.25%, the Company'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 Company'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 Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

December 31, 2023

December 31, 2023					
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 369,855	-	-	-	-
Trade receivables and notes receivable (including from related parties)	401,107	-	-	-	-
Other receivables (including from related parties)	69,284	-	-	-	-
Refundable deposits	2,620	-	-	-	-
Subtotal	<u>\$ 842,866</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 (including from related parties)	235,122	-	-	-	-
Long-term borrowings (current portion included)	953,294	-	-	-	-
Lease liabilities (current and non-current)	8,062	-	-	-	-
Subtotal	<u>\$ 1,748,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

December 31, 2022

		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 422,530	-	-	-	-
Trade receivables and notes receivable (including from related parties)	434,433	-	-	-	-
Other receivables (including from related parties)	80,426	-	-	-	-
Refundable deposits	2,550	-	-	-	-
Subtotal	\$ 939,939	-	-	-	-
Financial liabilities at amortized cost					
Short-term borrowings	\$ 1,162,400	-	-	-	-
Accounts and notes payable and other payables (including from related parties)	265,567	-	-	-	-
Long-term borrowings (current portion included)	438,113	-	-	-	-
Lease liabilities (current and non-current)	4,948	-	-	-	-
Subtotal	\$ 1,871,028	-	-	-	-

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

The Company'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.

(w) Financial risk management

(i) Overview

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

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

The following likewise discusses the Company'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 parent company only financial statements.

(ii) Structure of risk management

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

The Company's hedging strategy for engaging in derivatives trading is mainly based on the Company's stable and safe operations. All derivative transactions entered into by the Company 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 Company must match its hedged assets and liabilities denominated in foreign currencies.

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

(iii) Credit risk

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

1) Trade and other receivables

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company 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 Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company 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 Company.

The Company 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 Company's finance department. The Company only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company'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 Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company'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 Company. As of December 31, 2023 and 2022, the Company'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 Company's income or the value of its holdings of financial

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

1) Currency risk

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

2) Interest rate risk

The Company manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates and by using interest rate swap contracts. The Company 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 Company'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 Company 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 Company 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 Company's capital management strategy is consistent with the prior year. The Company's debt-to-equity ratio at the end of the reporting periods were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 1,897,675	2,026,996
Less: cash and cash equivalents	(369,855)	(422,530)
Net debt	1,527,820	1,604,466
Total equity	1,420,300	1,282,852
Total capital	\$ 2,948,120	2,887,318
Debt-to-equity ratio	52%	56%

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

The Company'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:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

	January 1, 2023	Cash flows	Non-cash changes Increase (decrease) for the period	December 31, 2023
Short-term borrowings	\$ 1,162,400	(610,400)	-	552,000
Lease liabilities (current and non-current)	4,948	(2,830)	5,944	8,062
Long-term borrowings (current portion included)	438,113	515,181	-	953,294
Total liabilities from financing activities	\$ 1,605,461	(98,049)	5,944	1,513,356

	January 1, 2022	Cash flows	Non-cash changes Increase (decrease) for the period	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)	3,161	(3,069)	4,856	4,948
Long-term borrowings (current portion included)	955,219	(517,106)	-	438,113
Total liabilities from financing activities	\$ 1,716,510	(115,975)	4,926	1,605,461

7. Related-party transactions

(a) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Quaser Europe Technical Center AG (Quaser Europe)	Subsidiaries
Quaser America Machine Tools, Inc. (Quaser America)	Subsidiaries
Kunshan Quaser Machine Tools, Inc. (Kunshan Quaser)	Subsidiaries
Quaser Europe Technical Center GmbH (Quaser Europe GmbH)	Subsidiaries
Winbro Group UK Limited (Winbro UK)	Subsidiaries
Winbro Group Technologies Limited (Winbro Ltd)	Sub-subsidiaries
Winbro Group Technologies LLC (Winbro LLC)	Sub-subsidiaries

(b) Significant transactions with related parties

(i) Sale of goods to related parties

The amounts of significant sales and receivables by the Company to its related parties were as follows:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

		Sale		Receivables from related parties	
		2023	2022	December 31, 2023	December 31, 2022
Subsidiaries — Quaser Europe Gmbh	\$	86,316	90,147	19,535	50,464
Subsidiaries — Quaser America		-	119,632	-	64,717
Subsidiaries — Kunshan Quaser		145,601	39,939	27,518	18,491
Sub-subsidiaries — Winbro LLC		116,850	81,249	48,013	54,755
Sub-subsidiaries — Winbro Ltd		56,823	48,151	17,104	13,854
	\$	405,590	379,118	112,170	202,281

The sales price of the Company to its related parties is not materially different from those of non-related parties. During 2023 and 2022, the collection terms for sales to subsidiaries and sub-subsidiaries were T/T 180 days and T/T 120 days, respectively.

(ii) Purchases from related parties

The amounts of significant purchases and payables by the Company from related parties were as follows:

		Purchases		Payables to related parties	
		2023	2022	December 31, 2023	December 31, 2022
Sub-subsidiaries — Winbro Ltd	\$	25,298	56,466	52,322	88,165
Subsidiaries		241	5,393	483	183
	\$	25,539	61,859	52,805	88,348

The purchases price of the Company to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. During 2023 and 2022, the payment terms for purchases to related parties were T/T and month-end 30 days, which were not materially different from those of the third parties.

(iii) Provides technical and management services to related parties

The Company's income from providing technical and management services to related parties in 2023 and 2022 were as follows:

	2023	2022
Subsidiaries — Kunshan Quaser	\$ 1,910	3,027
Subsidiaries	3	-
Sub-subsidiaries — Winbro Ltd	4,508	979
Sub-subsidiaries	59	-
	\$ 6,480	4,006

(iv) Other receivables from related parties

The Company's accounts receivable arising from sales to related parties were transferred to other

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

receivables because the aging exceeds the credit period for a certain period. The details were as follows:

	December 31, 2023	December 31, 2022
Subsidiaries — Quaser Europe Gmbh	\$ 22,505	44,744
Subsidiaries — Quaser America	5,847	11
Subsidiaries — Kunshan Quaser	312	15,234
Sub-subsidiaries — Winbro LLC	18,747	9,071
Sub-subsidiaries — Winbro Ltd	19,070	5,589
	\$ 66,481	74,649

(v) Other payables to related parties

	December 31, 2023	December 31, 2022
Subsidiaries — Quaser Europe Gmbh	\$ 1,048	119
Sub-subsidiaries — Winbro LLC	864	-
Sub-subsidiaries — Winbro Ltd	3,650	2,908
	\$ 5,562	3,027

(c) Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	\$ 12,773	10,750
Post-employment benefits	242	416
	\$ 13,015	11,166

8. Pledged Assets

The carrying values of pledged assets were as follows:

Pledged Assets	Subject of pledge guarantee	December 31, 2023	December 31, 2022
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
		\$ 127,949	131,615

9. Significant commitments and contingencies

The Company's unrecognized contractual commitments were as follows:

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

10. Losses due to major disasters: None.

11. Subsequent events: None.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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	\$ 59,655	89,123	148,778	57,736	84,394	142,130
Labor and health insurance	5,934	8,082	14,016	5,670	7,557	13,227
Pension	2,826	3,620	6,446	2,936	3,726	6,662
Directors' remuneration	-	2,838	2,838	-	1,536	1,536
Others	2,373	2,847	5,220	2,763	647	3,410
Depreciation	5,883	8,761	14,644	7,590	7,217	14,807
Amortization	206	2,140	2,346	135	1,890	2,025

Additional information on the numbers of employees and the employee benefits of the Company in 2023 and 2022:

	2023	2022
The numbers of employees	178	166
The numbers of directors excluding the employees	9	9
The average of employees' benefits	\$ 1,032	1,054
The average of salary	\$ 880	905
The average of salary adjustment	(2.76)%	4.87%

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (i) Directors' remuneration is paid in accordance with the resolution of the board of directors, including travel expenses for each board meeting. Independent directors receive fixed remuneration every month, and no other related variable remuneration is paid. The directors allocate director remuneration in accordance with the Company's articles of incorporation, and the Salary and Compensation Committee considers the overall board performance, the operating performance, development trends of the industry, risk appetite, and formulates a distribution proposal, which is approved by the board of directors and submitted to the shareholders' meeting. Directors' remuneration is distributed separately based on the individual director's participation in the company operations and the value of their contribution.
- (ii) The Salary and Compensation Committee may measure the appropriate amount of a managers' salary based on their overall participation in the operations and contribution to the Company, based on peer salary levels. In addition, based on the Company's seniority and position value, the annual salary increase shall not exceed 10%.
- (iii) The remuneration of employee mainly includes salary, bonus and employee remuneration. As for the standard of remuneration payment, the basic salary is based on the market competition situation and company policies of the work position held by the employees; bonuses and employee remuneration are based on personal abilities and performance and contribution to the company operations, as well as the positions and responsibilities held. Responsibilities are determined with reference to market peer standards.

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

13. Other disclosures

(a) Information on significant transactions

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

(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

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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.

(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:

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes receivable/ Trade receivables (Notes payable/ 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.

(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
				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 2)

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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
				End of the period	End of the previous year	Shares	Percentage of ownership	Carrying value				
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 1)	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 1)	Sub-subsubsidiary

Note 1: According to regulations, it does not need to fill out.

Note 2: The liquidation of the Company'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	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	-
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	-

QUASER MACHINE TOOLS, INC.
Notes to the Parent Company Only Financial Statements

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

14. Segment information

Please refer to the consolidated financial statement for the year 2023.

QUASER MACHINE TOOLS, INC.
Statement of Cash and Cash Equivalents
December 31, 2023

(Expressed in Thousands of NTD)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash and cash on foreign currency	\$ 804
	Petty cash	<u>120</u>
	Subtotal	<u>924</u>
Bank deposits	Demand deposit	176,245
	Demand deposits on foreign currency	
	(USD 1,352 thousand×30.705	
	JPY 542 thousand×0.2172	
	EUR 1,048 thousand×33.98	
	CNY 9,715 thousand ×4.327)	119,281
	Check deposit	941
	Time deposits	<u>72,464</u>
	Subtotal	<u>368,931</u>
Total		<u><u>\$ 369,855</u></u>

QUASER MACHINE TOOLS, INC.
Statement of Notes and Trade Receivable
December 31, 2023
(Expressed in Thousands of NTD)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Notes receivable-unrelated parties:		
Company X	Operating	\$ 29,597
Other (Note)	"	<u>974</u>
		<u>\$ 30,571</u>
Trade receivable-unrelated parties:		
Company A	Operating	\$ 107,547
Company B	"	33,751
Company C	"	33,211
Company D	"	30,023
Other (Note)	"	<u>55,582</u>
		260,114
Impairment loss on allowance		<u>(1,748)</u>
		<u>\$ 258,366</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

QUASER MACHINE TOOLS, INC.

Statement of Inventories

December 31, 2023

(Expressed in Thousands of NTD)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market value</u>	
Finished goods	\$ 72,319	85,544	Market value of net realizable value
Work in progress	220,187	267,036	"
Raw materials	273,295	248,532	"
Goods	<u>14,939</u>	<u>30,942</u>	"
	580,740	<u>632,054</u>	
Loss on allowance for doubtful accounts	<u>(37,510)</u>		
Total	<u>\$ 543,230</u>		

Statement of Other Current Assets

Please refer to note 6 (h).

QUASER MACHINE TOOLS, INC.

Statement of Changes in Investments Accounted for Using Equity Method

January 1, 2023 to December 31, 2023

(Expressed in Thousands of NTD)

Names of Investee	Beginning balance			Addition		Decrease		Profit or loss of investment	Amount of exchange on translation of foreign financial statement		Ending balance			Pledge of collateral	Note
	Shares	Percentage of ownership	Amount	Shares	Amount	Shares	Amount		Other (Note 1)	Shares	Percentage of ownership	Amount			
Quaser Europe	1,000	100%	\$ 42,931	-	-	-	-	(49)	1,653	-	1,000	100%	44,535	none	
Kunshan Quaser	1,500,000	100%	(1,176)	-	-	-	-	14,870	(276)	(700)	1,500,000	100%	12,718	none	
Quaser America	6,000,000	100%	103,426	-	-	-	-	(4,787)	55	-	6,000,000	100%	98,694	none	2
Winbro UK	1,425,000	100%	1,265,174	-	-	-	-	47,409	33,692	5,186	1,425,000	100%	1,351,461	none	
Quaser Europe Gmbh	25,000	100%	(23,730)	-	120,607	-	-	(3,484)	(3,296)	(2,557)	25,000	100%	87,540	none	
Zhongshan Xuguang	-	- %	-	8,000,000	34,889	-	-	(75)	(272)	-	8,000,000	40%	34,542	none	
Total			\$ 1,386,625		155,496		-	53,884	31,556	1,929			1,629,490		

Note 1 : It was the unrealized gain (loss) generated by the downstream transactions.

Note 2 : The liquidation of the Company's subsidiary, Quaser America, was resolved by the Board of Directors. As of December 31, 2023, the relevant procedures are still in process.

QUASER MACHINE TOOLS, INC.
Statement of Changes in Property, Plant, and Equipment
January 1, 2023 to December 31, 2023
(Expressed in Thousands of NTD)

Please refer to note 6 (e).

Statement of Changes in Right-of-use assets

Please refer to note 6 (f).

Statement of Changes in Intangible assets

Please refer to note 6 (g).

QUASER MACHINE TOOLS, INC.

Statement of Short-term Borrowings

December 31, 2023

(Expressed in Thousands of NTD)

<u>Creditor</u>	<u>Type of loan</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rate</u>
Cathay United Bank	Credit loan	\$ 250,000	Due within 1 year	1.82%
Land Bank of Taiwan	Credit loan	100,000	Due within 1 year	2.124%
Hua Nan Bank	Credit loan	30,000	Due within 1 year	1.973%
First Bank	Credit loan	30,000	Due within 1 year	2.125%
Chang Hwa Bank	Credit loan	99,000	Due within 1 year	2.01%
CTBC Bank	Credit loan	43,000	Due within 1 year	2.05%
		<u>\$ 552,000</u>		

Statement of Long-term Borrowings

<u>Creditor</u>	<u>Type of loan</u>	<u>Ending balance</u>		<u>Contract period</u>	<u>Interest rate</u>	<u>Pledge of collateral</u>
		<u>Due within 1 year</u>	<u>Due in more than 1 year</u>			
Taishin Bank	Syndicated loan	\$ -	518,294	2023.7.21~ 2028.7.21	2.204%	Land and Buildings on Youshih Industrial Park
Land Bank of Taiwan	Relief loan	2,806	32,194	2023.8.31~ 2028.8.31	2.095%	none
Eximbank	Operating capital	-	400,000	2023.5.30~ 2025.11.27	1.896%	none
		<u>\$ 2,806</u>	<u>950,488</u>			

QUASER MACHINE TOOLS, INC.
Statement of Notes and Accounts Payable
December 31, 2023
(Expressed in Thousands of NTD)

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>
Notes Payable—		
unrelated parties		
Company P	Operating	\$ 109
Others (Note)	Operating	<u>62</u>
		<u>\$ 171</u>
Accounts Payable—		
unrelated parties		
Company Q	Operating	\$ 15,688
Company R	Operating	12,551
Company S	Operating	12,379
Company T	Operating	10,944
Others (Note)	Operating	<u>81,109</u>
		<u>\$ 132,671</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Other Payables

Please refer to note 6 (k).

QUASER MACHINE TOOLS, INC.**Statement of Operating Revenue****For 2023**

(Expressed in Thousands of NTD)

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>
Finished goods	336	\$ 1,228,082
Others (Note)		<u>82,740</u>
Total		<u>\$ 1,310,822</u>

Note: The amount of each item in others does not exceed 10% of the account balance.

QUASER MACHINE TOOLS, INC.
Statement of Operating Costs
For 2023
(Expressed in Thousands of NTD)

Items	Amount
Goods, beginning of year	\$ -
Addition: Goods purchased	15,152
Decrease: Goods, end of year	<u>(14,939)</u>
Cost of goods	<u>213</u>
Raw materials	
Raw materials, beginning of year	338,734
Addition: Raw materials purchased	834,487
Decrease: Raw materials, end of year	(273,295)
Sale of raw materials	(33,977)
Scrapped	(5,733)
Others	(3,992)
Raw materials loss	<u>(21)</u>
Raw materials used	856,203
Direct labor	41,118
Manufacturing expense	<u>54,380</u>
Manufacturing cost	951,701
Addition: Work in progress, beginning of year	248,072
Finished goods re-production	18,651
Decrease: Work in progress, end of year	(220,187)
Sale	(1,273)
Scrapped	(582)
Others	<u>596</u>
Cost of finished goods	996,978
Addition: Finished goods, beginning of year	91,152
Decrease: Finished goods, end of year	(72,319)
Others	<u>(26,334)</u>
Production costs	<u>989,477</u>
Cost of raw materials sold	33,977
Cost of work in progress sold	1,273
Scrapped	6,315
Loss	21
Income from the sale of scraps	(240)
Loss for inventory obsolescence from the decrease in inventories' net realizable value	1,854
Warranty cost	11,089
Other	<u>(3,215)</u>
Operating costs	<u><u>\$ 1,040,764</u></u>

QUASER MACHINE TOOLS, INC.**Statement of Operating Expenses****For 2023**

(Expressed in Thousands of NTD)

Items	Selling expenses	Administrative expenses	Research and development expenses
Payroll	\$ 27,462	44,490	17,171
Freight	3,743	16	-
Import and export expense	6,690	-	-
Business promotion fee	8,716	-	-
Depreciation	2,715	5,435	611
Amortization	458	72	1,610
Consulting fees	2,846	10,322	39
Others (note)	13,978	30,921	5,759
	<u>\$ 66,608</u>	<u>91,256</u>	<u>25,190</u>

Note: The amount of each item in others does not exceed 5% of the account balance