

**FALCON MACHINE TOOLS COMPANY LIMITED. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH REPORT OF INDEPENDENT ACCOUNTANTS**  
**FOR THE YEARS ENDED**  
**December 31, 2023 AND 2022**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## **Independent Auditors' Report**

To Falcon Machine Tools Company Limited

### **Opinion**

We have audited the accompanying consolidated balance sheets of Falcon Machine Tools Company Limited (the “Company”) and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 1. Receivable Impairment

As of December 31, 2023, the account receivable (including related parties) of the Company was NT\$168,221 thousand that stands for 6% of the total consolidated assets, which considered to be a significant proportion to the company. Given the recoverable of the receivables is a key factor to the company's working capital, the Company's judgements, analyses and estimations as well as the subsequent result could have impact on the account receivable. We therefore considered the receivable impairment a key audit matter.

Our audit procedure includes, but not limited to, assess the effectiveness of the Company's internal control on clients' credit risk management, its management on receivables by assessing the reasonability of the periods of the receivables' age on all groups, assess the accuracy of the original vouchers by random audit; assess the accuracy by recalculating the periods of the receivables' age according to the trading terms, judge the reasonability of allowing the individual clients to have large past due amount or long term past due, and assess the reasonability of non-individual clients' (group assess) allowance by recalculating it in accordance with allowance policy. Random audit the receivable confirmations and review the past due subsequent receivables to evaluate the possibility of recoverable.

We considered Note 5 and 6 to the consolidated financial statements regarding the related disclosure of the account receivables.

## 2. Inventory Valuation

As of December 31, 2023, the company's net inventory was NT\$1,011,244 thousand, which stands for 34% of the consolidated asset. Given the Group is primarily engaged in manufacturing and processing of grinder and lathe products. And the products are tailor-made, high unit price and for long duration. The judgement on slow-moving or expired inventory valuation would be a significant factor. We therefore considered the inventory valuation a key audit matter.

Our audit procedure includes, but not limited to, understand and assess the effectiveness of the internal control on inventory, evaluate the appropriateness of the account policy on slow-moving and expired inventory, assess the accuracy of the periods of the inventories' age, evaluate and observe the age of inventory variables in order to judge the reasonability of the slow-moving and expired inventory's reserve.

We considered Note 5 and 6 to the consolidated financial statements regarding the related disclosure of the inventory.

### **Other Matter – Making Reference to the Audits of Other Auditor**

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$350,165 thousand and NT\$412,897 thousand, constituting 12% and 17% of consolidated total assets as of December 31, 2023 and 2022, respectively, and total operating revenues of NT\$454,247 thousand and NT\$445,315 thousand, constituting 35% and 28% of consolidated operating revenues for the years ended December 31 2023 and 2022, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of the other auditors. These associates and joint ventures under equity method amounted to NT\$99,456 thousand and NT\$24,758 thousand, representing 3% and 1% of consolidated total assets as of December 31, 2023 and 2022, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT(\$5,964) thousand and NT\$815 thousand, representing (4)% and 6% of the consolidated net income before tax for the years ended December 31 2023 and 2022, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

## **Other**

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2023 and 2022.

Chen, Cheng-Chu

Hung, Kuo-Sen

Ernst & Young, Taiwan  
March 11, 2024

## **Notice to Readers**

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of the Consolidated Financial Statements originally issued in Chinese  
Falcon Machine Tools Company Limited and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2023 and 2022  
(Amounts in thousands of New Taiwan Dollars)

Assets		Dec 31, 2023		Dec 31, 2022	
Contents	Notes	Amount	%	Amount	%
<b>Current Asset</b>					
Cash and cash equivalents	4, 6(1)	\$835,773	29	\$340,277	14
Financial assets measured at amortized cost are assets - current	4, 6(2), 8	32,257	1	1,986	0
Notes receivable	4, 6(3), 6(16)	26,171	1	25,517	1
Notes receivable - related parties	4, 6(3), 6(16), 7	272	0	1,075	0
Accounts receivable, net	4, 6(4), 6(16), 8	168,143	6	283,297	11
Accounts receivable - related parties, net	4, 6(4), 6(16), 7	78	0	144	0
Other receivables	4	18,351	1	11,975	1
Current tax assets	4	277	0	24,098	1
Inventories	4, 6(5)	1,011,244	34	977,318	40
Prepayments		41,357	1	34,854	1
Assets held for sale	4, 6(6), 8	-	-	78,898	3
Other current assets		134	0	10,658	0
Total current assets		2,134,057	73	1,790,097	72
<b>Noncurrent assets</b>					
Financial assets measured at fair value through other comprehensive income - non-current	4, 6(7)	24,538	1	22,630	1
Financial assets measured at amortized cost - non-current	4, 6(2), 8	46,518	2	38,413	2
Investment accounted for using equity method	4, 6(8)	272,514	9	162,716	7
Property, plant and equipment	4, 6(9), 8	283,259	10	293,688	12
Right-of-use assets	4, 6(17), 8	60,288	2	56,423	2
Investment property	4, 6(8), 8	10,074	0	10,462	1
Intangible assets	4	5,885	0	10,960	0
Deferred tax assets	4, 6(21)	82,974	3	82,789	3
Other non-current assets	4	9,263	0	5,046	0
Total non-current assets		795,313	27	683,127	28
<b>Total Assets</b>					
		\$2,929,370	100	\$2,473,224	100

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of the Consolidated Financial Statements originally issued in Chinese  
Falcon Machine Tools Company Limited and Subsidiaries  
Consolidated Balance Sheets (con.)  
December 31, 2023 and 2022  
(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity		Dec 31, 2023		Dec 31, 2022	
Content	Note	Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term loans	4, 6(11)	\$247,828	8	\$450,940	18
Current contract liabilities	6(15)	67,726	2	68,272	3
Notes payable		20,576	1	16,742	1
Notes payable - related parties	7	20	0	18	0
Accounts payable		207,138	7	224,183	9
Accounts payable - related parties	7	21,731	1	21,141	1
Other payables		88,748	3	84,803	3
Current tax liabilities		945	0	683	0
Lease liabilities - current	4, 6(17)	25,336	1	14,707	1
Current portion of long-term loans	4, 6(12)	79,944	3	243,339	10
Other current liabilities		16,038	1	18,723	1
<b>Total current liabilities</b>		<u>776,030</u>	<u>27</u>	<u>1,143,551</u>	<u>47</u>
<b>Noncurrent liabilities</b>					
Long-term borrowings	4, 6(12)	680,366	24	405,753	16
Net deferred tax liabilities	4, 6(21)	47,451	2	71,272	3
Lease liabilities - noncurrent	4, 6(17)	14,194	0	21,156	1
Accrued pension liabilities - noncurrent	4, 6(13)	211	0	4,289	0
Deposit received		5,459	0	6,230	0
<b>Total non-current liabilities</b>		<u>747,681</u>	<u>26</u>	<u>508,700</u>	<u>20</u>
<b>Total liabilities</b>		<u>1,523,711</u>	<u>53</u>	<u>1,652,251</u>	<u>67</u>
<b>Interests attributable to parent company owner</b>					
<b>Capital</b>					
Common stock capital		1,068,803	36	768,803	31
Capital reserve		178,260	6	11,460	0
<b>Retained earnings</b>					
Legal reserve		22,474	1	22,474	1
Special reserve		53,916	2	53,916	2
Undistributed earnings (Deficit to be offset)		107,431	3	(11,829)	-
<b>Total retained earnings</b>		<u>183,821</u>	<u>6</u>	<u>64,561</u>	<u>3</u>
<b>Other equity</b>					
Exchange Differences on Translation of Foreign Operations		(28,162)	(1)	(26,729)	(1)
Unrealised gains (losses) on financial assets measured at fair value		2,937	0	2,878	0
<b>Total of other equity</b>		<u>(25,225)</u>	<u>(1)</u>	<u>(23,851)</u>	<u>(1)</u>
<b>Total equity</b>		<u>1,405,659</u>	<u>47</u>	<u>820,973</u>	<u>33</u>
<b>Total liabilities and equity</b>		<u>\$2,929,370</u>	<u>100</u>	<u>\$2,473,224</u>	<u>100</u>

(The accompanying notes are an integral part of the consolidated financial statements.)



English translation of Consolidated Financial Statements originally issued in Chinese  
Falcon Machine Tools Company Limited and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the years ended December 31, 2023 and 2022  
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Content	Note	2023		2022	
		Amount	%	Amount	%
Operating revenues	4, 6(15), 7	\$1,290,783	100	\$1,610,552	100
Operating costs	6(5), 6(13), 6(17), 6(18), 7	(924,668)	(72)	(1,206,683)	(75)
Gross profit		366,115	28	403,869	25
Operating expenses	6(13), 6(17), 6(18)				
Sales and marketing expenses		(133,067)	(10)	(141,973)	(9)
General and administrative expenses		(223,626)	(17)	(175,480)	(11)
Research and development		(56,527)	(4)	(54,492)	(3)
Expected credit impairment losses	6(16)	8,747	1	(16,588)	(1)
Subtotal		(404,473)	(30)	(388,533)	(24)
Operating income		(38,358)	(2)	15,336	1
Non-operating income and expenses	6(19), 7				
Interest income		3,085	0	820	0
Other income		21,447	2	8,747	1
Other gains and losses		221,281	17	(37)	(0)
Finance costs		(42,622)	(3)	(29,272)	(2)
Share of profit or loss of associates	4, 6(8)	4,909	0	17,091	1
Subtotal		208,100	16	(2,651)	(0)
Net income (loss) before tax		169,742	14	12,685	1
Income tax expenses	4, 6(21)	(54,090)	(4)	(35,680)	(2)
Profit from continuing operations		115,652	10	(22,995)	(1)
Other comprehensive net income	6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(161)	(0)	3,465	0
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		5,834	0	(2,579)	(0)
Income tax related to items that will not be reclassified		32	0	(693)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(631)	(0)	41,229	3
Share of other comprehensive income, accounted for using equity method	6(8)	(2,038)	(0)	1,716	0
Income tax related to items that may be reclassified		(802)	(0)	(10,301)	(1)
Subtotal		2,234	0	32,837	2
Total comprehensive income		\$117,886	10	\$9,842	1
Net income (loss) attributable to:					
Stock holders of the parent company	4, 6(22)	\$115,652		(\$22,995)	
Non-controlling interests		-		-	
		\$115,652		(\$22,995)	
Total comprehensive income attributable to:					
Stock holders of the parent company		\$117,886		\$9,842	
Non-controlling interests		-		-	
		\$117,886		\$9,842	
Earnings per share (NT\$)	4, 6(22)				
Basic earnings per share		\$1.44		(\$0.30)	
Diluted earnings per share		\$1.43		(\$0.30)	

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese  
Falcon Machine Tools Company Limited and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the years ended December 31, 2023 and 2022  
(Amounts in thousands of New Taiwan Dollars)

Content	Common Stock	Capital surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Undistributed Earnings (Deficit to be offset)	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive	
Balance as of January 1, 2022	\$768,803	\$11,460	\$21,054	\$49,531	\$14,199	(\$57,657)	\$3,741	\$811,131
Appropriations of prior year's earnings 2021:								
Legal reserve	-	-	1,420	-	(1,420)	-	-	-
Special reserve	-	-	-	4,385	(4,385)	-	-	-
Net income in 2022	-	-	-	-	(22,995)	-	-	(22,995)
Other comprehensive income (loss) 2022	-	-	-	-	2,772	30,928	(863)	32,837
Total comprehensive income (loss)	-	-	-	-	(20,223)	30,928	(863)	9,842
Balance as of December 31, 2022	<u>\$768,803</u>	<u>\$11,460</u>	<u>\$22,474</u>	<u>\$53,916</u>	<u>(\$11,829)</u>	<u>(\$26,729)</u>	<u>\$2,878</u>	<u>\$820,973</u>
Balance as of January 1, 2023	\$768,803	\$11,460	\$22,474	\$53,916	(\$11,829)	(\$26,729)	\$2,878	\$820,973
Appropriations of prior year's earnings 2022:								
Legal reserve	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-
Net income in 2023	-	-	-	-	115,652	-	-	115,652
Other comprehensive income (loss) 2023	-	-	-	-	(129)	(1,433)	3,796	2,234
Total comprehensive income (loss)	-	-	-	-	115,523	(1,433)	3,796	117,886
Issue of shares	300,000	166,800	-	-	-	-	-	466,800
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	3,737	-	(3,737)	-
Balance as of December 31, 2023	<u>\$1,068,803</u>	<u>\$178,260</u>	<u>\$22,474</u>	<u>\$53,916</u>	<u>\$107,431</u>	<u>(\$28,162)</u>	<u>\$2,937</u>	<u>\$1,405,659</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese  
Falcon Machine Tools Company Limited and Subsidiaries  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2023 and 2022  
(Amounts in thousands of New Taiwan Dollars)

Content	2023	2022	Content	2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$169,742	\$12,685	Acquisition of financial assets measured at fair value through other comprehensive income	-	(25,020)
Adjustments to reconcile net income (loss) before tax to net cash:			Proceeds from disposal of financial assets at fair value through other comprehensive income	7,497	-
Provided by (used in) operating activities:			Proceeds from disposal of financial assets measured at amortized cost	(38,376)	7,932
Depreciation	56,225	58,703	Acquisition of investments accounted for under the equity method	(111,900)	-
Amortization	2,004	2,748	Repayment of reduction of capital from investees for using equity method	-	23
Expected credit (gain) loss	(8,747)	16,588	Proceeds from disposal of non-current assets classified as held for sale	297,754	-
Interest expenses	42,622	29,272	Acquisition of property, plant and equipment	(24,952)	(8,031)
Interest income	(3,085)	(820)	Proceeds from disposal of property, plant and equipment	2,956	1,499
Dividend revenue	(10)	(10)	Acquisition of intangible assets	(500)	(362)
Share of loss of associates accounted for using equity method	(4,909)	(17,091)	Increase in other non-current assets	(4,217)	-
Gain on disposal of property, plant and equipment	(221,377)	(289)	Decrease in other non-current assets	-	18
Impairment loss on non-financial assets	-	785	Decrease in prepayments for business facilities	-	2,278
Loss on inventory valuation	2,694	60,031	Dividend received (cash dividend of the year of investments accounted for using equity method)	4,975	2,501
Profit from lease modification	-	(103)	Net cash provided by (used in) investment activities	<u>133,237</u>	<u>(19,162)</u>
Unrealized foreign currency exchange (gains)	-	(3,773)			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Notes receivables	(654)	29,221	Increase in short-term loans	1,101,138	1,059,983
Notes receivables - related parties	803	996	Decrease in short-term loans	(1,303,605)	(884,777)
Account receivables	124,022	(40,024)	Increase in short-term notes payable	-	120,430
Account receivables - related parties	66	1,053	Decrease in short-term notes payable	-	(150,385)
Other receivables	(6,376)	7,183	Proceeds from long-term loans	629,219	505,419
Inventories	(35,353)	(9,278)	Repayments of long-term loans	(516,562)	(541,475)
Prepayments	(6,503)	21,128	Repayments of lease liabilities	(24,988)	(20,002)
Other current assets	10,524	8,184	Decrease in other non-current liabilities	(771)	(575)
Contract liabilities - current	(546)	(30,469)	Proceeds from issuing shares	466,800	-
Notes payable	3,834	(2,924)	Interest paid	(41,686)	(24,596)
Notes payable - related parties	2	(330)	Net cash provided by financing activities	<u>309,545</u>	<u>64,022</u>
Account receivables	(17,045)	(128,005)	Effect of exchange rate changes on cash and cash equivalents	(206)	54,217
Account receivables - related parties	590	(3,288)	Net increase in cash and cash equivalents	<u>495,496</u>	<u>35,424</u>
Other payable	3,009	(4,710)	Cash and cash equivalents at beginning of year	<u>340,277</u>	<u>304,853</u>
Other current liabilities	(2,685)	(3,689)	Cash and cash equivalents at end of year	<u>\$835,773</u>	<u>\$340,277</u>
Net defined benefit liabilities-non-current	(4,078)	(15,160)			
Cash generated from operations	<u>104,769</u>	<u>(11,386)</u>			
Interest received	3,085	820			
Dividend received	10	10			
Income tax paid	(54,944)	(53,097)			
Net cash provided by (used in) operating activities	<u>52,920</u>	<u>(63,653)</u>			

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Financial Statements Originally Issued in Chinese  
Falcon Machine Tools Company Limited and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History and organization

Falcon Machine Tools Company Limited (the Company) was incorporated in 1978 as Falcon Manufacturing Company Limited. The company's primary businesses are manufacturing and processing grinders, lathes, millers, planers, drill presses, saw machines etc., and their surrounding businesses, as well as manufacturing and trading computer accessories and electronic parts, the development, leasing and sale of residential housing and building.

In response to the international business environment and our diversification development strategy, we renamed the Company to the current name. The Company listed on Taipei Exchange Market since March 25, 1998. Although our registered address was original in Taichung City, our main operating business address was moved to No.34, Xinggong Road, Shengang, Changhua County 509, Taiwan (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2023 and 2022 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on March 11, 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

- (a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

- (b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

- (c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

- (d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The remaining new or amended standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

#### 4. Summary of material accounting policies

##### 1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee and Standing Interpretations Committee as endorsed by the FSC.

##### 2. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

##### 3. Basis of consolidation

###### Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- i. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ii. exposure, or rights, to variable returns from its involvement with the investee, and
- iii. the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group’s voting rights and potential voting rights



The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	2023.12.31	2022.12.31	Note
The Company	Chevalier Machinery, Inc.(CMI)	Machine Tools and related Products Sales	100.00%	100.00%	
The Company	Lin Yu International Industrial Co., Ltd.	Real Estate Agency Operation	100.00%	100.00%	Note 1
The Company	Lucky Investment Services Inc.	General Investment	100.00%	100.00%	
Lucky Investment Services Ltd.	Chevalier Machinery Co., Ltd. (Shanghai)	Machine Tools Manufacture and Distribution	100.00%	100.00%	
Lucky Investment Services Ltd.	Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	69.75%	69.75%	Note 2
Chevalier Machinery Co., Ltd. (Shanghai)	Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	30.25%	30.25%	Note 3

Note 1 : Lin Yu International Industrial Co., Ltd. established in December 2022. It is a subsidiary 100% invested by the Company in cash.

Note 2 : Chevalier Machinery Ltd. (Suzhou) conducted capital increase and Lucky Investment Services Ltd. did not participate, leading the ownership interest of Lucky Investment Services Ltd. decreased to 69.75% from 100%.

Note 3 : The Board of Directors approved on May 24, 2022 for Chevalier Machinery Co., Ltd. (Shanghai) to invest RMB 28,876 thousand to Chevalier Machinery Co., Ltd. (Suzhou) by debt-to-capital increase. The record date of capital increase was May 24, 2022 and the according registration has been completed.

In the abovementioned consolidated financial statements, the financial statements of Chevalier Machinery, Inc. were audited by a component auditor. The subsidiary's total assets as of December 31, 2023 and 2022 were NT\$350,165 thousand and NT\$412,897 thousand respectively. The net operating revenue generated for the years ended were NT\$454,247 thousand and NT\$445,315 thousand respectively.

#### 4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (2) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### 5. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

## 6. Current and non-current distinction

An asset is classified as current when:

- (1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (2) The Group holds the asset primarily for the purpose of trading.
- (3) The Group expects to realize the asset within twelve months after the reporting period.
- (4) The asset is cash or 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 when:

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

All other assets are classified as non-current

## 7. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

## (2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and

- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

### (3) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired.
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.



#### (4) Financial liabilities and equity

##### Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

##### Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

##### Financial liabilities at fair value through amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

##### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (1) In the principal market for the asset or liability, or
- (2) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## 10. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on average basis

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

## 11. Non-current assets for sale

Non-current assets or disposal groups to be sold refer to those who can be sold immediately under general conditions and business practices under current circumstances, and are highly likely to complete the sale within one year. Non-current assets classified as for sale and the disposal group are measured by the lower of the carrying amount and fair value less the disposal cost.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

## 12. Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

### 13. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful Life
Buildings	5~55 years
Machinery and equipment	4~10 years
Office equipment	2~20 years
Transportation equipment	3~10 years
Other equipment	2~20 years
Lease improvement	According to lease term or useful economic life whichever is shorter
Mould equipment	3 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### 14. Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

<u>Item</u>	<u>Useful Life</u>
Buildings	37 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

## 15. Leases

The Group assesses whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

### Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost.

The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.



The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

The Group decided not to assess whether the rent concessions were lease modification when the rent concessions were a direct consequence of Covid-19. Instead, the rent concessions were accounted as change in rent payment.

#### Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

## 16. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Computer Software</u>	<u>Golf License</u>
Useful life	Finite	Indefinite
Amortization method	Amortized on a straight- line basis over the estimated useful life	No amortization
Internally generated or acquired	Acquired	Acquired

## 17. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

## 18. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

## 19. Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

### Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is machine tools and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

Accounts receivable are generally on 30 to 360 day terms. Due to the natural of the industry, some customers' accounts receivable was longer than the abovementioned day terms. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to transfers the goods subsequently; accordingly, these amounts are recognized as contract liabilities.

### Rendering of services

The group provides maintenance for high unit price machine equipment. Such services are separately priced or negotiated, and provided based on particular point of time. As the customers receive the benefits at a particular point of time, the Group's performance obligations are satisfied simultaneously, and the related revenue are then recognized when the services completed.

#### 20. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 21. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (1) The date of the plan amendment or curtailment, and
- (2) The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

## 22. Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

- (2) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1. Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) Investment properties

The Group uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately, the property is classified as investment property and property, plant and equipment if the own-use portion is immaterial to the property. Please refer to Note 6 for details.

(2) Operating lease commitment - Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(3) No control with a majority of the voting rights in investees

The Group does not own more than 50% shares although it is the largest shareholder of the investees. After taking into consideration factors such as absolute size of the Group's holding, relative size of the other shareholdings, how widely spread is the remaining shareholding, contractual arrangements between shareholders, potential voting rights, etc., the Group reached the conclusion that it has no control over these investees. Please refer to Note 6 for further details.



## 2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (1) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

### (2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Accounts receivable - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(4) Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

1. Cash and cash equivalent

	<u>2023.12.31</u>	<u>2022.12.31</u>
Demand deposits	\$574,741	\$338,836
Cash on hand	1,025	1,441
Cash equivalents	260,007	-
Total	<u>\$835,773</u>	<u>\$340,277</u>

2. Financial assets measured at amortized cost

	<u>2023.12.31</u>	<u>2022.12.31</u>
Time deposits	<u>\$78,775</u>	<u>\$40,399</u>
Current	\$32,257	\$1,986
Noncurrent	46,518	38,413
Total	<u>\$78,775</u>	<u>\$40,399</u>

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge and Note 12 for details on credit risk.

3. Notes receivables, net and notes receivables – related parties, net

	<u>2023.12.31</u>	<u>2022.12.31</u>
Notes receivable arising from operating activities	\$26,171	\$25,517
Notes receivables – related parties	<u>272</u>	<u>1,075</u>
Total	<u>\$26,443</u>	<u>\$26,592</u>

Notes receivables were not pledged.

The group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.16 for more details on loss allowance and Note 12 for details on credit risk.

4. Accounts receivable, net and Accounts receivable – related parties, net

	<u>2023.12.31</u>	<u>2022.12.31</u>
Accounts receivable	\$192,463	\$316,485
Less: loss allowance	<u>(24,320)</u>	<u>(33,188)</u>
Subtotal	168,143	283,297
Accounts receivable – related parties	<u>78</u>	<u>144</u>
Total	<u>\$168,221</u>	<u>\$283,441</u>

Please refer to Note 8 for more details on accounts receivable under pledge.

The general payment term are 30 to 360 days. Due to the natural of the industry, some customers' payment terms were longer than the abovementioned payment terms. The total carrying amount for the years ended December 31, 2023 and 2022, were NT\$192,541 thousand and NT\$316,629 thousand, respectively. Please refer to Note 6.16 for more details on loss allowance of accounts receivable for year ended December 31, 2023 and 2022, and Note 12 for details on credit risk.

5. Inventories

	<u>2023.12.31</u>	<u>2022.12.31</u>
Raw Materials	\$387,523	\$473,916
Work in progress	162,782	189,783
Finished goods	143,263	137,039
Semi-finished goods	<u>147,278</u>	<u>124,635</u>
Subtotal	840,846	925,373
Underconstruction (Note)	<u>170,398</u>	<u>51,945</u>
Total	<u>\$1,011,244</u>	<u>\$977,318</u>

Note: The Group made a successful bid in November 2023 for a land development joint project with Taiwan Sugar Corporation.

For the year ended December 31, 2023 and 2022, the costs of sales for inventory were NT\$924,668 thousand and NT\$1,206,683 thousand respectively. These figures include recognized inventory depreciation and slow-moving losses, which amounted to NT\$2,694 thousand and NT\$60,031 thousand respectively.

The inventories were not pledged.

6. Noncurrent assets held for sale

	<u>2023.12.31</u>	<u>2022.12.31</u>
Property and its accompanied equipment held for sale	-	\$78,898

The Group entered into a contract with E-tech Machinery Inc. on December 29, 2022, to sell its property and accompanying equipment located in the Daya District, Taichung City, Taiwan (R.O.C.). This followed a resolution from the Company's board meeting held on December 22, 2022. As a result, NT\$67,146 thousand and NT\$11,752 thousand were transferred to non-current assets held for sale from Properties, plants and equipment, and investment properties respectively. The property was delivered and the transaction was completed on July 7, 2023. The sale price was NT\$297,890 thousand, and the profit or loss from the disposal was recognized as NT\$218,856 thousand.

7. Financial assets at fair value through other comprehensive income

	<u>2023.12.31</u>	<u>2022.12.31</u>
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks		
Sincere Creative Industries CO., LTDd	-	-
TAICHUNG INTERNATIONAL ENTERTAINMENT CORPORATION.	-	\$189
Qing Jing Xiang Asset Co.,Ltd.	\$14,866	12,629
Qing Jing Ning Construction Co., Ltd.	9,672	9,812
Total	<u>\$24,538</u>	<u>\$22,630</u>

The Group recognized unrealized gains or (losses) on financial assets measured at fair value through other comprehensive income in 2023 and 2022 as NT\$5,834 thousand and NT(\$2,579) thousand respectively.

Financial assets measured at fair value through other comprehensive income were not pledged.

The Group's derecognition related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 are as follow::

	<u>2023.12.31</u>	<u>2022.12.31</u>
Fair value on the day of derecognition	-	-
The cumulative loss on disposal reclassified from other equity to retained earnings	\$3,737	-

#### 8. Investments accounted for using equity method

Investee Companies	<u>2023.12.31</u>		<u>2022.12.31</u>	
	Amount	Ownership	Amount	Ownership
Investments in associates:				
Focus CNC Co., Ltd.	\$138,848	39.18%	\$137,491	39.18%
Hwang Kang Machinery Co., Ltd.	19,664	40.18%	25,225	40.18%
Ching Young International Industrial CO., LTD.	30,185	12.45%	-	-
Shang Jia Real Estate Co., Ltd.	75,232	30.00%	-	-
Jia Cen International Co., Ltd.	4,025	30.00%	-	-
Jia Yang Enterprise Co., Ltd.	4,560	30.00%	-	-
Total	<u>\$272,514</u>		<u>\$162,716</u>	

Although the Group holds 39.18% of ownership and is the largest shareholder of Focus CNC Co., Ltd. the Group does not own the major voting rights as the other two shareholders hold 32.86% and 7.06% of ownership respectively and are able to align and prevent the Group from ruling the relevant operation. Therefore, the Group does not control but owns significant influence over the abovementioned associate.

Although the Group holds 40.18% of ownership and is the largest shareholder of Hwang Kang Machinery Co., Ltd., the Group does not own the major voting rights as the remaining voting rights holders hold 22.50%, 9.26%, 8.19% and 6.75% are able to align and prevent the Group from ruling the relevant operation. Therefore, the Group does not control but owns significant influence over the abovementioned associate.

The Group's investment in FOCUS CNC CO. LTD. , Hwang Kang Machinery Co., Ltd. , Ching Young International Industrial CO., LTD. , Jia Cen International Co., Ltd. , Jia Yang Enterprise Co., Ltd. , and Shang Jia Real Estate Co., Ltd. are immaterial. The aggregate amount of the Group's shares of the abovementioned associates are as follows:

Investee	2023.01.01~2023.12.31	
	Investment	Other Comprehensive
	Income	Income
Focus CNC Co., Ltd.	\$7,562	(\$2,038)
Hwang Kang Machinery Co., Ltd.	(4,754)	-
Ching Young International Industrial CO., LTD.	5,284	-
Shang Jia Real Estate Co., Ltd.	232	-
Jia Cen International Co., Ltd.	(1,975)	-
Jia Yang Enterprise Co., Ltd.	(1,440)	-
Total	<u>\$4,909</u>	<u>(\$2,038)</u>

Investee	2022.01.01~2022.12.31	
	Investment	Other Comprehensive
	Income	Income
Focus CNC Co., Ltd.	\$16,276	\$1,716
Hwang Kang Machinery Co., Ltd.	815	-
Total	<u>\$17,091</u>	<u>\$1,716</u>

The Group's investment in FOCUS CNC CO. LTD. and Hwang Kang Machinery Co., Ltd. are immaterial. The aggregate amount of the Group's shares of the abovementioned associates are as follows:

	Year 2023	Year 2022
Net income of continuing business unit	\$4,909	\$17,091
Other comprehensive income, net of tax	(2,038)	1,716
Total comprehensive income	<u>\$2,871</u>	<u>\$18,807</u>

The Group did not have contingent liabilities or capital commitments to the abovementioned associates and the investments were not pledged as of December 31, 2023 and 2022.

The financial statements of Huanggang Machinery Co., Ltd., Jia Yang Enterprise Co., Ltd. and Shang Jia Real Estate Co., Ltd. as of December 31, 2023 and 2022 have been verified and certified by other accountants as the basis for recognition, and are adopted for these invested companies. The investments under the equity method were NT\$99,456 thousand and NT\$25,225 thousand respectively, and the shares of associated enterprises and joint ventures (profits and losses) recognized under the equity method were NT(\$5,964) thousand and NT\$815 thousand respectively.

## 9. Property, plant and equipment

	2023.12.31	2022.12.31
Owner occupied property, plant and equipment	\$283,259	\$293,688

### (1) Owner occupied property, plant and equipment

		2023.01.01 – 2023.12.31								
		Land	Buildings	Machinery & equipment	Office equipment	Transporta tion equipment	Other equipment	Lease improvement	Construction in progress	Total
<u>Cost :</u>										
2023.01.01	\$105,325	\$399,901	\$226,015	\$47,660	\$51,032	\$150,794	\$18,262	-	-	\$998,989
Additions	-	-	10,578	4,733	-	5,279	4,363	-	-	24,953
Disposals	-	-	(71,113)	(723)	(1,174)	(7,610)	-	-	-	(80,620)
Transfer	-	-	(20,804)	-	-	-	-	-	-	(20,804)
Exchange differences	-	(2,291)	(396)	(155)	(100)	(997)	(66)	-	-	(4,005)
2023.12.31	\$105,325	\$397,610	\$144,280	\$51,515	\$49,758	\$147,466	\$22,559	-	-	\$918,513
<u>Depreciation and impairment</u>										
2023.01.01	-	\$276,817	\$197,000	\$42,512	\$46,578	\$126,513	\$15,881	-	-	\$705,301
Depreciation	-	12,070	6,430	2,079	1,253	8,580	1,017	-	-	31,429
Disposals	-	-	(70,725)	(723)	(1,127)	(7,610)	-	-	-	(80,185)
Transfer	-	-	(19,110)	-	-	-	-	-	-	(19,110)
Exchange differences	-	(1,035)	(181)	(81)	(87)	(781)	(16)	-	-	(2,181)
2023.12.31	-	\$287,852	\$113,414	\$43,787	\$46,617	\$126,702	\$16,882	-	-	\$635,254

2022.01.01 – 2022.12.31

	Land	Buildings	Machinery & equipment	Office equipment	Transporta tion equipment	Other equipment	Leave improvement	Construction in progress	Total
<u>Cost :</u>									
2022.01.01	\$151,428	\$475,434	\$259,411	\$46,560	\$53,396	\$150,382	\$16,506	-	\$1,153,117
Additions	-	211	983	811	1,238	4,788	-	-	8,031
Disposal	-	-	(9,637)	(263)	-	(1,698)	-	-	(11,598)
Transfer	(46,103)	(77,553)	(28,509)	-	(3,891)	(3,379)	-	-	(159,435)
Exchange differences	-	1,809	3,767	552	289	701	1,756	-	8,874
2022.12.31	<u>\$105,325</u>	<u>\$399,901</u>	<u>\$226,015</u>	<u>\$47,660</u>	<u>\$51,032</u>	<u>\$150,794</u>	<u>\$18,262</u>	<u>-</u>	<u>\$998,989</u>
<u>Depreciation</u>									
<u>and</u>									
<u>impairment:</u>									
2022.01.01	-	\$319,054	\$201,647	\$38,365	\$49,183	\$123,060	\$13,722	-	\$745,031
Depreciation	-	14,013	9,071	3,895	1,093	10,025	686	-	38,783
Disposal	-	-	(8,632)	(263)	-	(1,493)	-	-	(10,388)
Tansfer	-	(56,881)	(8,705)	-	(3,891)	(5,591)	-	-	(75,068)
Exchange differences	-	631	3,619	515	193	512	1,473	-	6,943
2022.12.31	<u>-</u>	<u>\$276,817</u>	<u>\$197,000</u>	<u>\$42,512</u>	<u>\$46,578</u>	<u>\$126,513</u>	<u>\$15,881</u>	<u>-</u>	<u>\$705,301</u>
<u>Net carrying</u>									
<u>amount as</u>									
<u>of :</u>									
2023.12.31	<u>\$105,325</u>	<u>\$109,758</u>	<u>\$30,866</u>	<u>\$7,728</u>	<u>\$3,141</u>	<u>\$20,764</u>	<u>\$5,677</u>	<u>-</u>	<u>\$283,259</u>
2022.12.31	<u>\$105,325</u>	<u>\$123,084</u>	<u>\$29,015</u>	<u>\$5,148</u>	<u>\$4,454</u>	<u>\$24,281</u>	<u>\$2,381</u>	<u>-</u>	<u>\$293,688</u>

(2) Significant components of the building include the main building structure and air-conditions, which are depreciated over useful lives of 50 and 5 years respectively.

(3) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(4) There was no interest capitalized due to purchasing of property, plant and equipment in years 2023 and 2022.



## 10. Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
2023.01.01	\$5,213	\$9,390	\$14,603
Reclassification	-	-	-
2023.12.31	<u>\$5,213</u>	<u>\$9,390</u>	<u>\$14,603</u>
2022.01.01	\$13,240	\$23,095	\$36,335
Reclassification	(8,027)	(13,705)	(21,732)
2022.12.31	<u>\$5,213</u>	<u>\$9,390</u>	<u>\$14,603</u>
Depreciation and impairment :			
2023.01.01	-	\$4,141	\$4,141
Depreciation	-	388	388
Reclassification	-	-	-
2023.12.31	<u>-</u>	<u>\$4,529</u>	<u>\$4,529</u>
2022.01.01	-	\$13,420	\$13,420
Depreciation	-	701	701
Reclassification	-	(9,980)	(9,980)
2022.12.31	<u>-</u>	<u>\$4,141</u>	<u>\$4,141</u>
Net carrying amount:			
2023.12.31	<u>\$5,213</u>	<u>\$4,861</u>	<u>\$10,074</u>
2022.12.31	<u>\$5,213</u>	<u>\$5,249</u>	<u>\$10,462</u>
		<u>2023</u>	<u>2022</u>
Income from investment properties rental		<u>-</u>	<u>\$1,927</u>

Please refer to Note 8 for more details on investment properties under pledge.

Investment property held by the Group are not measured at fair value, but only discloses information on its fair value. Its fair value hierarchy is Level 3. The fair value evaluated by an independent external appraisal expert appointed on December 31, 2022 was NT\$24,743 thousand. The aforementioned determination of fair value was supported by market evidence, and the evaluation methods adopted were comparative method, The direct capitalization method of the income method, in which the long-term operating net profit mainly used in the capitalization method is NT\$350 thousand, and the capitalization rate is 2.90%.

The fair values of the investment real estate held by the Group were both NT\$24,743 thousand on December 31, 2023 and December 31, 2022. The aforementioned fair values were respectively Appoint an independent external appraisal expert to evaluate and refer to the Ministry of Interior's Real Estate Transaction Actual Price Inquiry Service Network for the fair value of recent transaction prices for similar locations and types

#### 11. Short-term loans

	2023.12.31	2022.12.31
Secured bank loans	\$247,828	\$291,463
Unsecured bank loans	-	159,477
Total	<u>\$247,828</u>	<u>\$450,940</u>
Interest Rate (%)	3.01%~3.95%	2.24%~4.35%

The Group's unused short-term lines of credits amounts to NT\$397,147 thousand and NT\$437,366 thousand as of December 31, 2023 and 2022, respectively.

The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for more details.

#### 12. Long-term loans

(1) As of December 31, 2023:

Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge loan	\$550,000	2.75%	From May 17, 2023 to May 17, 2028. The loan shall be repaid starting 18 months from the first usage date. The unrepaid loan shall be fully repaid in 15 quarter installments. Interest is calculated once a month.
Export-Import Bank of the Republic of China	LC Financing Loan	7,523	7.34%	From May 24, 2022 to January 16, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,001	7.34%	From May 24, 2022 to January 31, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	5,281	7.19%	From June 7, 2022 to February 27, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,005	7.19%	From September 5, 2022 to August 6, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,277	7.19%	From September 19, 2022 to August 15, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	9,211	7.25%	From October 17, 2022 to July 22, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,145	7.25%	From October 18, 2022 to September 23, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,216	7.51%	From November 6, 2023 to July 31, 2025. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Taichung Bank	Financing Loan	9,212	5.10%	From June 30, 2023 to June 30, 2026. Floating interest adjusted according to simple interest rate. Interest to be settled once a month.
Taiwan Cooperative Bank	Credit Loan	82,904	7.40%	From June 17, 2023 to June 12, 2025. Interest calculated once every six months. The loan is due to be settled of capital and interest.
EAST WEST BANK	Credit Loan	61,410	7.25%	From June 17, 2023 to June 12, 2025. Interest will be paid once every month, and the principal and interest will be repaid when due.
Total		763,185		
Less: Current portion of long-term loans		(79,944)		
Less: Admin fee		(2,875)		
Total		<u>\$680,366</u>		

## (2) As of December 31, 2022

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge loan	\$337,500	2.67%	From February 17, 2020 to February 17, 2025. The loan shall be repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 13 quarter installments. Interest is calculated once a month.
Bank of Panhsin – Taichung Branch	Pledge loan	60,000	2.23%	From February 22, 2022 to February 22, 2023. Interest calculated once every three months. The loan is due to be settled.
Export-Import Bank of the Republic of China	LC Financing Loan	7,524	6.79%	From May 24, 2022 to January 16, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,002	6.79%	From May 24, 2022 to January 31, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	5,282	5.81%	From June 7, 2022 to February 27, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,008	4.76%	From September 5, 2022 to August 6, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,278	5.29%	From September 19, 2022 to August 15, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	9,213	5.89%	From October 17, 2022 to July 22, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,146	5.90%	From October 18, 2022 to September 24, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	6.59%	From February 22, 2021 to January 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,075	5.72%	From March 10, 2021 to February 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	4,422	6.59%	From April 15, 2021 to March 6, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,493	5.13%	From May 10, 2021 to March 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	6,956	5.72%	From June 15, 2021 to May 8, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,992	6.59%	From July 13, 2021 to June 12, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,457	6.59%	From July 13, 2021 to June 1, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,040	6.59%	From July 26, 2021 to June 27, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,155	5.81%	From September 6, 2021 to July 28, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	11,332	6.62%	From November 8, 2021 to September 5, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	17,167	6.62%	From December 3, 2021 to October 16, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,822	6.62%	From December 10, 2021 to October 26, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,917	6.62%	From December 15, 2021 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,689	1.55%	From December 22, 2021 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	1.42%	From January 7, 2021 to November 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,960	1.81%	From March 7, 2021 to December 7, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,370	5.71%	From March 23, 2021 to December 20, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
China Construction Bank	Credit Loan	6,612	4.35%	From June 9, 2020 to June 3, 2023. Interest to be settled once a month.
Taichung Bank	Financing Loan	9,213	1.97%	From June 22, 2020 to June 17, 2023. Floating interest adjusted according to simple interest rate. Interest to be settled once a month.
Taiwan Cooperative Bank	Credit Loan	82,917	1.80%	From March 23, 2021 to December 16, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Total		650,442		
Less: Current portion of long-term loans		(243,339)		
Less: Admin fee		(1,330)		
Total		\$405,753		

Note 1: The Group obtained a bank loan with seven financial institutes including Taiwan Cooperative Bank, the bank loan agreement stipulated that the ratio of current assets to current liabilities shall not be lower than 100%, the ratio of liabilities to net tangible assets shall not be higher than 180%, the net value of tangible assets shall not be lower than NT\$800,000,000, and the interest coverage shall be above 300%. Administration fee is 0.35% of the total line of credit, the fee shall be paid within 5 working days to Taiwan Cooperative Bank after the approval of the line of credit.

- (3) The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for more details.
- (4) The Group did not fulfill the abovementioned stipulations in year 2023 and 2022 thus is required to pay additional 0.25% of the unpaid balance to the credit banks monthly until it could fulfill the stipulations. In return, the credit banks shall not claim the Company violated the agreed stipulations.

### 13. Post-employment benefits

#### Defined contribution plan

The Group and its domestic subsidiaries adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 amounted to NT\$7,648 thousand and NT\$6,504 thousand, respectively.

#### Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units.

Under the Labor Standards Act, the Company contribute an amount equivalent to 6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$4,836 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The average duration of the defined benefits plan obligation as at December 31, 2023 and 2022 are 8 years and 6 years.

Pension costs recognized in profit or loss is as follows:

	2023	2022
Current period service costs	\$545	\$538
Net interest expense (income)	52	107
Total	<u>\$597</u>	<u>\$645</u>

Reconciliation in the defined benefit obligation and fair value of plan assets are as follows:

	2023.12.31	2022.12.31
Defined benefit obligation at January 1,	\$59,311	\$61,286
Plan assets at fair value	<u>(59,100)</u>	<u>(56,997)</u>
Other non-current liabilities – net defined benefit liability	<u>\$211</u>	<u>\$4,289</u>

Reconciliation of liability of the defined benefit liability is as follows:



	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2022	65,927	(43,013)	22,914
Current period service costs	538	-	538
Net interest expense (income)	424	(317)	107
Subtotal	<u>66,889</u>	<u>(43,330)</u>	<u>23,559</u>
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	20,429	-	20,429
Actuarial gains and losses arising from changes in financial assumptions	40,857	-	40,857
Experience adjustments	(61,571)	-	(61,571)
Re-measurement on defined benefit assets	-	(3,180)	(3,180)
Subtotal	<u>(285)</u>	<u>(3,180)</u>	<u>(3,465)</u>
Benefits paid	(5,318)	(2,379)	(7,697)
Contributions by employer	-	(8,108)	(8,108)
As of December 31, 2022	<u>\$61,286</u>	<u>(\$56,997)</u>	<u>\$4,289</u>
Current period service costs	545	-	545
Net interest expense (income)	735	(683)	52
Subtotal	<u>62,566</u>	<u>(57,680)</u>	<u>4,886</u>
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	474	-	474
Experience adjustments	(86)	-	(86)
Re-measurement on defined benefit assets	-	(227)	(227)
Subtotal	<u>388</u>	<u>(227)</u>	<u>161</u>
Benefits paid	(3,643)	3,643	-
Contributions by employer	-	(4,836)	(4,836)
As of December 31, 2023	<u>\$59,311</u>	<u>(\$59,100)</u>	<u>\$211</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2023.12.31	2022.12.31
Discount rate	1.20%	1.20%
Expected rate of salary increases	1.50%	1.20%

## Sensitivity analysis

	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased 0.5%	\$281	-	-	\$1,227
Discount rate decreased 0.5%	-	\$227	\$2,316	-
Expected salary increased 0.5%	44	-	2,295	-
Expected salary decreased 0.5%	-	21	-	1,232

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## 14. Equity

### (1) Common stock

A. On November 17, 2023, the company conducted a cash capital increase through private equity and issued 30,000 thousand new shares, with a nominal value of NT\$10 per share, issued at a premium of NT\$15.56 per share, and the paid-in amount was NT\$466,800. November 17 is the base date for capital increase, and the rights and obligations of the new private placement shares will be the same as the issued ordinary shares upon completion of the change registration on December 12, 2023. However, according to the provisions of the Securities and Exchange Act, privately placed ordinary shares cannot be freely transferred within three years after issuance.

B. As of December 31, 2023 and December 31, 2022, the company's rated share capital is NT\$1,350,000 thousand, with a nominal value of NT\$10 per share, both of which are 135,000 thousand shares. The issued ordinary shares are respectively 106,880 thousand shares (including 30,000 thousand shares of private equity) and 76,880 thousand shares. All shares issued have been paid and each share is entitled to one vote and the right to receive dividends.

(2) Capital surplus

	<u>2023.12.31</u>	<u>2022.12.31</u>
Additional paid-in capital	\$172,800	\$6,000
Others	5,460	5,460
Total	<u>\$178,260</u>	<u>\$11,460</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset prior years' operation losses;
- (c) Set aside 10% of the remaining amount as legal reserve.
- (d) Set aside or reverse special reserve in accordance with law and regulations; and
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting

The distribution of dividends to shareholders of the company can be paid in cash or shares. The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition, capital budgets as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The dividends in cash shouldn't less than 10% of the shareholder dividends. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

According to Taiwan's Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total paid-in capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

The FSC on 31 March 2022 issued Order No. Financial-Supervisory-Securities-Corporate 1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion and transfer to retained earnings.

As of December 31, 2023 and 2022, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$49,531 thousand. The Company did not incur any special reserve to retained earnings during the year ended December 31, 2023 and 2022.

the appropriations of earnings for the years 2022 and 2021 were approved through the stockholders' meeting held on June 22, 2023 and June 22, 2022, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve	-	\$1,420	-	-
Special reserve	-	4,385	-	-

Please refer to Note 6.18 for details on employees' compensation and remuneration to directors and supervisors.

#### 15. Operating revenues

	2023	2022
Revenue from contracts with customers		
Sale of goods	\$1,262,028	\$1,591,875
Labor services	28,755	15,270
Other revenue	-	3,407
Total	<u>\$1,290,783</u>	<u>\$1,610,552</u>

Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

(1) Disaggregation of revenue

2023

	Taiwan	USA	Mainland China	Total
Sale of goods	\$550,502	\$454,247	\$256,426	\$1,261,175
Labor services	28,328	-	1,280	29,608
Total	<u>\$578,830</u>	<u>\$454,247</u>	<u>\$257,706</u>	<u>\$1,290,783</u>

2022

	Taiwan	USA	Mainland China	Total
Sale of goods	\$873,661	\$445,315	\$272,899	\$1,591,875
Labor services	15,270	-	-	15,270
Other income	3,401	-	6	3,407
Total	<u>\$892,332</u>	<u>\$445,315</u>	<u>\$272,905</u>	<u>\$1,610,552</u>

The timing for revenue recognition of the Group and the Customers: at a same point in time

(2) Contract balances

Contract liabilities - current

	2023.12.31	2022.12.31	2022.01.01
Sale of goods	<u>\$67,726</u>	<u>\$68,272</u>	<u>\$98,741</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
The opening balance transferred to revenue	(\$59,685)	(\$77,849)
Increase in receipts in advance during the period (excluding the amount incurred and transferred revenue during the period)	59,478	47,380
Exchange differences	(339)	-
Total	<u>(\$546)</u>	<u>(\$30,469)</u>

16. Expected credit losses (gain)

	2023	2022
Operating expenses – expected credit losses (gains)	<u>                    </u>	<u>                    </u>
Account receivables	<u>(\$8,747)</u>	<u>\$16,588</u>

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivable, notes receivable – related parties, accounts receivable and accounts receivable – related parties) at an amount equal to lifetime expected credit losses. The assessment of the Group’s loss allowance as of December 31, 2023 and 2022 are as follows:

- (1) The Group considers the grouping of trade receivables by counter parties’ credit rating, geographical region and industry sector as well as loss allowance measured by provision matrix. Details are as group 1.
- (2) The Group used individual customer evaluation method to evaluate the customers who have unsatisfactory credibility. Please refer to group 2 for further details.

December 31, 2023

Group 1

	Not yet due (Note 1)	Past due				Total
		1-90 days	91-180 days	181-365 days	366 days or above	
Gross carrying amount	\$130,577	\$46,201	\$9,036	\$9,654	\$23,516	\$218,984
Loss ratio	-	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(231)	(90)	(483)	(23,516)	(24,320)
Carrying amount of trade receivables	<u>\$130,577</u>	<u>\$45,970</u>	<u>\$8,946</u>	<u>\$9,171</u>	<u>-</u>	<u>\$194,664</u>

December 31, 2022

Group 1

	Due (Note 1)	Past due				Total
		1-90 days	91-180 days	181-365 days	366 days or above	
Gross carrying amount	\$268,819	\$31,043	\$5,505	\$5,133	\$32,721	\$343,221
Loss ratio	-	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(155)	(55)	(257)	(32,721)	(33,188)
Carrying amount of trade receivables	<u>\$268,819</u>	<u>\$30,888</u>	<u>\$5,450</u>	<u>\$4,876</u>	<u>-</u>	<u>\$310,033</u>

Note 1 : All the Group’s notes receivables were not past due

Note 2 : The Group used individual customer evaluation method to measure expected credit losses.

The movement in the provision for impairment of account receivable (including notes receivable, notes receivable – related parties, accounts receivable and account receivable – related parties) for the years ended December 31, 2023 and 2022 are as follows:

	Notes receivable	Accounts receivable
2023.01.01	-	\$33,188
Reversal for the current period	-	(8,747)
Effect of exchange rate changes	-	(121)
2023.12.31	-	<u>\$24,320</u>
2022.01.01	-	\$17,686
Addition for the current period	-	16,588
Write off	-	(4,259)
Effect of exchange rate changes	-	3,173
2022.12.31	-	<u>\$33,188</u>

## 17. Leases

### (1) The Group as a lessee

The Group leases properties, including lands, buildings and constructions. The lease terms range from 3 to 43 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

#### A. Amounts recognized in the balance sheet

##### (a) Right-of-use assets

##### Carrying amount

	2023.12.31	2022.12.31
Buildings and constructions	\$36,782	\$33,836
Lands	22,502	20,713
Transportation equipment	1,004	1,874
Total	<u>\$60,288</u>	<u>\$56,423</u>

Some of the leases were terminated, in 2022, the right-of-use assets and lease liabilities were reduced NT\$2,818 thousand and NT\$2,921 thousand respectively, and generated NT\$103 thousand for lease modification gain.

Right-of-use assets increased NT\$28,465 thousand and NT\$0 for the years ended in December 31, 2023 and 2022 respectively.

Please refer to Note 8 for more details regarding right-of-use assets under pledge.

(b) Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities		
Current	\$25,336	\$14,707
Noncurrent	14,194	21,156
Total	<u>\$39,530</u>	<u>\$35,863</u>

Please refer to Note 6.19(4) for the interest on lease liabilities recognized during the year ended December 31, 2023 and 2022 refer to Note 12.5 Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	2023.01.01~ 2023.12.31	2022.01.01~ 2022.12.31
Buildings and constructions	\$21,180	\$17,564
Transportation equipment	1,356	1,124
Lands	1,872	531
Total	<u>\$24,408</u>	<u>\$19,219</u>

C. Income and costs relating to leasing activities

	2023.01.01~ 2023.12.31	2022.01.01~ 2022.12.31
Short term lease expenses	<u>\$4,315</u>	<u>\$2,754</u>



D. Cash outflow relating to leasing activities

Cash outflow for leasing were NT\$30,313 thousand and NT\$23,739 thousand for the year ended on December 31, 2023 and 2022 respectively.

18. Summary of employee benefits, depreciation and amortization expenses by function is as follows:

Function Nature	2023.01.01~2023.12.31			2022.01.01~2022.12.31		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$66,437	\$162,885	\$229,322	\$64,489	\$149,548	\$214,037
Labor and health insurance	7,963	14,685	22,648	7,761	14,298	22,059
Pension	2,272	5,972	8,244	2,007	5,142	7,149
Other employee benefits	1,381	10,269	11,650	2,376	10,352	12,728
Depreciation	17,197	39,028	56,225	18,677	40,026	58,703
Amortization	-	2,004	2,004	-	2,748	2,748

According to the Company's articles of incorporation, not less than 2% of profit of the current year is distributable as bonus to employees and not higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The company's estimated employee remuneration and director's remuneration in 2023 are NT\$3,237 thousand and NT\$3,237 thousand respectively, which are listed under salary expenses.

The Company did not estimate the amounts of the bonus to employees and the remuneration to directors and supervisors for the year ended December 31, 2022 due to loss in operation.

## 19. Non-operating income and expenses

### (1) Interest income

	<u>2023</u>	<u>2022</u>
Financial assets measured at amortized cost	<u>\$3,085</u>	<u>\$820</u>

### (2) Other income

	<u>2023</u>	<u>2022</u>
Rents	\$4,290	\$3,973
Dividends	10	10
Other income - other	<u>17,147</u>	<u>4,764</u>
Total	<u>\$21,447</u>	<u>\$8,747</u>

### (3) Other gains and losses

	<u>2023</u>	<u>2022</u>
Foreign exchange gains (losses), net	\$687	\$3,244
Gain (loss) on disposal of property, plant and equipment	221,377	289
Gains on lease modification	-	103
Losses on intangible asset impairments	-	(785)
Miscellaneous	<u>(783)</u>	<u>(2,888)</u>
Total	<u>\$221,281</u>	<u>(\$37)</u>

### (4) Finance costs

	<u>2023</u>	<u>2022</u>
Interest on borrowings from bank	\$41,611	\$28,289
Interest on lease liabilities	<u>1,011</u>	<u>983</u>
Total	<u>\$42,622</u>	<u>\$29,272</u>

## 20. Componentenets of other comprehensive income

For the year ended December 31, 2023

	Arising during the period	Other comprehensi ve income	Income tax expense	OCI net of tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	(\$161)	(\$161)	\$32	(\$129)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	5,834	5,834	-	5,834
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	(631)	(631)	(802)	(1,433)
Share of other comprehensive income (loss) of associates and joint ventures	(2,038)	(2,038)	-	(2,038)
<b>Total</b>	<b>\$3,004</b>	<b>\$3,004</b>	<b>(\$770)</b>	<b>\$2,234</b>

For the year ended December 31, 2022

	Arising during the period	Other comprehens ive income	Income tax expense	OCI net of tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	\$3,465	\$3,465	(\$693)	\$2,772
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(2,579)	(2,579)	-	(2,579)
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	41,229	41,229	(10,301)	30,928
Share of other comprehensive income (loss) of associates and joint ventures	1,716	1,716	-	1,716
<b>Total</b>	<b>\$43,831</b>	<b>\$43,831</b>	<b>(\$10,994)</b>	<b>\$32,837</b>

21. Income tax

The major components for income tax expense for the years ended December 31, 2023 and 2022 are as follows

A. Income tax expense (benefit) recognized in profit and loss

	<u>2023</u>	<u>2022</u>
Current income tax expense:		
Current income tax charge	\$9,875	\$20,684
land value increment tax	18,617	-
Adjustments in respect of current income tax of prior periods	21,787	-
Deferred income tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,811	14,996
Total income tax expense	<u>\$54,090</u>	<u>\$35,680</u>

B. Income tax relating to components of other comprehensive income

	<u>2023</u>	<u>2022</u>
Deferred income tax expense (benefit):		
Exchange differences resulting from translating the financial statements of foreign operations	\$802	\$10,301
Actuarial gains or losses on defined benefit plans	(32)	693
Income tax relating to components of other comprehensive income	<u>\$770</u>	<u>\$10,994</u>

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>2023</u>	<u>2022</u>
Accounting profit before tax from continuing operations	<u>\$169,742</u>	<u>\$12,685</u>
Tax at the domestic rates applicable to profits in the country concerned	\$41,744	\$8,853
Tax effect of tax allowance	(47,276)	(2)
Tax effect of expenses not deductible for tax purposes	-	212
Tax effect of deferred tax assets/liabilities	19,218	25,467
Tax on undistributed earnings	-	420
Others	-	730
Land Value Increment Tax	18,617	-
Adjustments in respect of current income tax of prior periods	21,787	-
Total income tax expense recognized in profit or loss	<u>\$54,090</u>	<u>\$35,680</u>

D. Deferred tax assets (liabilities) relate to the following:

(1) For the year ended December 31, 2023

Item	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized exchange loss (gain)	(\$534)	\$333	-	(\$201)
Unrealized loss on financial asset impairment	240	(240)	-	-
Expected loss	6,888	(220)	-	6,668
Expected loss on inventory valuation	24,967	2,153	-	27,120
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	1,539	(678)	-	861
Unrealized deferred margin	9,244	778	-	10,022
Unused tax losses	21,249	-	-	21,249
Gain of investment for using equity method	(46,263)	18,844	-	(27,419)
Defined benefit liability - noncurrent	(2,578)	(848)	-	(3,426)
Advance withdrawal expenses	1,659	(267)	-	1,392
Unrealized asset depreciation expenses	(3,372)	(989)	-	(4,361)
Exchange differences resulting from translating the financial statements of foreign operations	(1,769)	-	(\$802)	(2,571)
Changes on actuarial loss or gain	11,399	-	32	11,431
Land value increment tax	(15,335)	6,149	-	(9,186)
Other deferred tax assets	3,997	(239)	-	3,758
Deferred income tax expenses		\$24,776	(\$770)	
Net deferred income tax assets	\$11,517			\$35,523
Reflected in balance sheet as follows:				
Deferred income tax assets	\$82,789			\$82,974
Deferred income tax liabilities	(\$71,272)			(\$47,451)

(2) For the year ended December 31, 2022

Item	Beginning balance	Recognized in profit or loss	Recognized in	
			other comprehensive income	Ending balance
Temporary differences				
Unrealized exchange loss (gain)	\$1,269	(\$1,803)	-	(\$534)
Unrealized loss on financial asset impairment	240	-	-	240
Expected loss	5,939	949	-	6,888
Expected loss on inventory valuation	17,058	7,909	-	24,967
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	1,221	318	-	1,539
Unrealized deferred margin	6,344	2,900	-	9,244
Unused tax losses	31,405	(10,156)	-	21,249
Gain of investment for using equity method	(31,074)	(15,189)	-	(46,263)
Defined benefit liability - noncurrent	(1,254)	(1,324)	-	(2,578)
Advance withdrawal expenses	607	1,052	-	1,659
Unrealized asset depreciation expenses	(3,827)	455	-	(3,372)
Exchange differences resulting from translating the financial statements of foreign operations	8,532	-	(\$10,301)	(1,769)
Changes on actuarial loss or gain	12,092	-	(693)	11,399
Land value increment tax	(15,335)	-	-	(15,335)
Other deferred tax assets	4,104	(107)	-	3,997
Deferred income tax expenses		<u>(\$14,996)</u>	<u>(\$10,994)</u>	
Net deferred income tax assets	<u>\$37,507</u>			<u>\$11,517</u>
Reflected in balance sheet as follows:				
Deferred income tax assets	<u>\$81,839</u>			<u>\$82,789</u>
Deferred income tax liabilities	<u>(\$44,332)</u>			<u>(\$71,272)</u>

(3) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized amounts to NT\$49,101 thousand and NT\$30,389 thousand respectively.

E. The assessment of income tax returns

As of December 31, 2023, the assessment status of income tax returns of the Group was as follows:

	<u>The assessment of income tax returns</u>
Falcon Machine Tools Co., Ltd.	Assessed and approved up to 2021
Subsidiary – Lin Yu International Industrial Co., Ltd.	Newly established, not yet assessed

The Group's foreign subsidiaries are under the taxation regulations in their respective countries. Their income tax returns were assessed up to 2022.

F. Unused tax losses are as follows:

Falcon Machine Tools Co., Ltd.

Year	Loss	Unused tax losses as of		Expiration year
		2023.12.31	2022.12.31	
2015	\$32,752	\$10,093	\$10,115	2025
2016	57,058	56,760	57,058	2026
2017	20,249	19,951	20,249	2027
2019	7,418	7,418	7,418	2029
2020	56,946	56,946	56,946	2030
		\$151,168	\$151,786	

Chevalier Machinery Co., Ltd. (Suzhou) (in RMB)

Year	Loss	Unused tax losses as of		Expiration year
		2023.12.31	2022.12.31	
2017	\$3,032	-	\$3,032	2022
2019	7,450	7,450	7,450	2024
2020	1,171	1,171	1,171	2025
2022	4,514	4,514	-	2027
		\$13,135	\$11,653	

## 22. Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

	2023	2022
(1) Basic earnings per share		
Net income attributable to common shareholders of the Parent	\$115,652	(\$22,995)
Weighted average number of common stocks outstanding (in thousand shares)	80,589	76,880
Basic earnings per share (in NT\$)	\$1.44	(\$0.30)
	2023	2022
(2) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company	\$115,652	(\$22,995)
Net income attributable to ordinary equity holders of the Company after dilution	\$115,652	(\$22,995)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	80,589	76,880
Effect of dilution:		
Employee bonus stock (in thousand shares) (Note)	170	-
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	80,759	76,880
Diluted earnings per share (in NT\$)	\$1.43	(\$0.30)

Note: although the consolidated net income before tax was a gain, the net income of the Company's before tax was a loss. The Company did not estimate the employee bonus and remuneration to directors in according with the articles of incorporation and related regulations.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date the financial statements were authorized for issue.



## 7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

### Name and nature of relationship of the related parties

<u>Related parties</u>	<u>Relationship</u>
Focus CNC Co., Ltd.	Associate
Hwang Kang Machinery Co., Ltd.	Associate
Fulson Industrial Co., Ltd.	Substantive related party
Lin, Tsung-Lin and other 15 persons	Key management personnel (Note)

### Significant transactions with related parties

#### 1. Sale

	<u>2023</u>	<u>2022</u>
Fulson Industrial Co., Ltd.	\$3,998	\$6,701
Hwang Kang Machinery Co., Ltd.	-	538
Total	<u>\$3,998</u>	<u>\$7,239</u>

The sales price to the related parties was determined through mutual agreement in reference to market conditions. The collection periods to related parties were month-end 30~180 days. The outstanding payment at the end of the year were not pledged, interest-free and subject to pay in cash.

#### 2. Purchase

	<u>2023</u>	<u>2022</u>
Fulson Industrial Co., Ltd.	\$77,373	\$106,788
Focus CNC Co., Ltd.	7,563	8,722
Hwang Kang Machinery Co., Ltd	2,086	5,949
Total	<u>\$87,022</u>	<u>\$121,459</u>

The purchase prices from the related parties were determined through mutual agreement in reference to market conditions. The payment periods to related parties were the same with other company, and were month end 60 days in cheque.

3. Lease – related parties

Rental income

	2023	2022
Fulson Industrial Co., Ltd.	\$221	\$885
Focus CNC Co., Ltd.	72	144
Total	<u>\$293</u>	<u>\$1,029</u>

The Group leases machines, lands, buildings and constructions to associates. The rental price was determined through mutual agreements in reference to market conditions. Rents charged monthly and the related incomes are listed in non-operating income and expenses – rent.

4. Notes receivable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	\$272	\$979
Focus CNC Co., Ltd.	-	96
Total	<u>\$272</u>	<u>\$1,075</u>

5. Accounts receivable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	<u>\$78</u>	<u>\$144</u>

6. Notes payable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	<u>\$20</u>	<u>\$18</u>

7. Accounts payable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	\$20,574	\$13,623
Hwang Kang Machinery Co., Ltd.	1,062	1,462
Focus CNC Co., Ltd.	86	6,056
Others	9	-
Total	<u>\$21,731</u>	<u>\$21,141</u>

8. Key management personnel bonus and compensations

	2023	2022
Short-term employee benefits	\$9,568	\$10,809
Post-employment benefits	540	1,183
Total	<u>\$10,108</u>	<u>\$11,992</u>

## 8. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral are as follows:

Item	Carrying Amount		Content of pledge
	2023.12.31	2022.12.31	
Accounts receivable	\$66,405	\$157,423	Long and short term loan
Properties, plants and equipment – buildings and constructions	106,469	112,684	Long term loan
Properties, plants and equipment -lands	105,325	105,325	Long and short term loan
Noncurrent assets held for sale - lands	-	54,130	Long and short term loan
Financial assets at amortized cost - noncurrent	46,518	38,413	Deposit
Noncurrent assets held for sale – buildings and constructions	-	24,397	Long and short term loan
Right-of-use – lands	19,814	20,713	Short term loan
Investment properties	10,074	10,462	Long term loan
Financial assets at amortized cost - current	32,257	1,986	Deposit
Total	<u>\$386,862</u>	<u>\$525,533</u>	

## 9. COMMITMENTS AND CONTINGENCIES

1. As of December 31, 2023, there was a deposit of NT\$1,000 thousand for loan has yet to recollect.
2. Please refer to Note 13.1(2) for further details regarding the Group's endorsements and guarantees as of December 31, 2023.
3. As of December 31, 2023, King's Town Bank has issued a letter of credit for NT\$103,890 thousand as guarantee to Taiwan Sugar Corp. for the project of joint development of land.

## 10. LOSSES DUE TO MAJOR DISASTERS

None

## 11. SIGNIFICANT SUBSEQUENT EVENTS

None

## 12. OTHERS

### 1. Categories of financial instruments

<u>Financial assets</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Financial assets at fair value through other comprehensive income	\$24,538	\$22,630
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	834,748	338,836
Financial assets measured at amortized cost - current	32,257	1,986
Notes receivable (including related parties)	26,443	26,592
Accounts receivable (including related parties)	168,221	283,441
Other receivables	18,351	11,975
Financial assets measured at amortized cost - noncurrent	46,518	38,413
<u>Financial liabilities</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Financial liabilities measured at amortized cost:		
Short-term loan	\$247,828	\$450,940
Notes and accounts payable (including related parties)	249,465	262,084
Other payables	88,748	84,803
Long-term loan (including due within a year)	760,310	649,092
Lease liabilities (including current and noncurrent)	39,530	35,862

### 2. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before the Group enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

### 3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

#### Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analyses is as follows:

- (1) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$113 thousand and NT\$359 thousand respectively.

- (2) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$42 thousand and NT\$293 thousand respectively.
- (3) When NTD strengthens/weakens against USD by 1%, the Equity for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$327 thousand and NT\$1,820 thousand respectively.
- (4) When NTD strengthens/weakens against RMB by 1%, the Equity for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$838 thousand and NT\$464 thousand respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans at variable and fixed interest rates.

The interest rate sensitivity analysis is performed on items exposed to loans at variable interest rate as at the end of the reporting period. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by NT\$1,008 thousand and NT\$880 thousand respectively.

#### 4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023 and 2022, accounts receivable from top ten customers represent 58% and 62% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

## 5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and short-term notes payables. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

<u>Non-derivative financial instruments</u>	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
2023.12.31					
Short-term loan	\$248,121	-	-	-	\$248,121
Notes and accounts payables	249,465	-	-	-	249,465
Other payables	88,748	-	-	-	88,748
Lease liabilities	28,385	\$12,062	\$2,462	-	42,909
Long-term loan (including due within a year)	82,176	430,412	306,936	-	819,524
2022.12.31					
Short-term loan	\$451,400	-	-	-	\$451,400
Notes and accounts payables	262,084	-	-	-	262,084
Other payables	84,803	-	-	-	84,803
Lease liabilities	17,250	\$30,975	\$3,100	\$1,013	52,338
Long-term loan (including due within a year)	263,512	422,557	-	-	686,069

## 6. Reconciliation of liabilities arising from financing activities

### Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term loans	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2023.01.01	\$450,940	\$649,092	\$35,863	\$1,135,895
Cash flows	(202,467)	112,657	(25,998)	(115,808)
Non-cash flows	-	-	29,475	29,475
Exchange differences	(645)	(1,439)	190	(1,894)
2023.12.31	<u>\$247,828</u>	<u>\$760,310</u>	<u>\$39,530</u>	<u>\$1,047,668</u>

### Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Short-term note payables	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2022.01.01	\$273,493	\$29,955	\$675,068	\$54,306	\$1,032,822
Cash flows	175,206	(29,955)	(36,056)	(20,002)	89,193
Exchange differences	2,241	-	10,080	1,559	13,880
2022.12.31	<u>\$450,940</u>	<u>-</u>	<u>\$649,092</u>	<u>\$35,863</u>	<u>\$1,135,895</u>

## 7. Fair values of financial instruments

- (1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.



B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, bonds etc.) at the reporting date.

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Bank loans and other noncurrent liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

8. Derivative financial instruments

As of December 31, 2023 and 2022, there was no derivative financial instruments for the Group.

## 9. Fair value measurement hierarchy

### (1) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

### (2) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on non-recurring basis as well as assets and liabilities that are measured at fair value on a recurring basis.

### (3) Fair value measurement hierarchy of assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	-	-	\$24,743	\$24,743
Financial assets at fair value through other comprehensive income – noncurrent	-	-	24,538	24,538

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	-	-	\$24,743	\$24,743
Financial assets at fair value through other comprehensive income – noncurrent	-	-	22,630	22,630

#### 10. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Unit: thousand					
	2023.12.31			2022.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items						
USD	\$4,575	30.705	\$140,475	\$6,853	30.710	\$210,456
RMB	981	4.327	4,244	6,698	4.408	29,525
Financial liabilities						
Monetary items:						
USD	4,943	30.705	151,775	8,021	30.710	246,325

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were varieties of foreign currency transactions of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Group recognized exchange gain (loss) amounted to NT\$687 thousand and NT\$3,244 thousand for the years ended December 31, 2023 and 2022 respectively.

## 11. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

## 12. Financial asset transferal information

The group entered into assignment agreements with recourse with financial institutions regarding some of its accounts receivable. Although the group transfers the contract rights of the cash flow from such accounts receivable, the group still has to bear the credit risk in accordance with the agreement in the event the accounts receivable is not recoverable. The transaction information is as follows:

2023.12.31

<u>Lender</u>	<u>Amount assigned</u>	<u>Prepaid amount (note)</u>
Export Import Bank of the Republic of China	\$66,405	\$59,660

2022.12.31

<u>Lender</u>	<u>Amount assigned</u>	<u>Prepaid amount (note)</u>
Export Import Bank of the Republic of China	\$157,423	\$154,181

Note: Reported on short-term loans, due within a year or an operating cycle, and long-term loan.

## 13. OTHER DISCLOSURES

### 1. Information about significant transitions

(1) Financing provided to others: None

(2) Endorsement/Guarantee provided to others

Ref No.	Endorsement/ Guarantee Provider (Name)	Guaranteed Party		Limits on Endorsement /Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 2)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
		Name	Relationship										
0	Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	Subsidiary	\$983,961	\$92,115	\$92,115	\$92,115	-	6.56%	\$1,124,527	Y	N	N

Note 1: Limits on endorsement/guarantee amount provided to each guaranteed party is 70% of net worth for December 31, 2023

Note 2: Total amount of endorsement/guarantee provided limited to 80% of net worth for December 31, 2023.

(3) Securities held (excluding subsidiaries, associates and joint ventures):

Company Held	Security Type and Name	Relationship with Issuer	Financial Statement Account	As of December 31, 2023			
				Share (Unit)	Carrying Amount	Shareholding %	Fair Value
Falcon Machine Tools Co., Ltd.	Zheng Cheng He Corporate Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	120,000	-	15.00%	-
Falcon Machine Tools Co., Ltd.	Qing Jing Xiang Asset Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,500,000	\$14,866	10.00%	\$14,866
Falcon Machine Tools Co., Ltd.	Qing Jing Ning Construction Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,002,000	\$9,672	5.00%	\$9,672

(4) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None

(5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: none

(6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more:

Disposed Company	Name of Property	Transaction Date	Acquisition date	Carrying amount	Transaction Amount	Price collection situation	Gains and losses on disposal	Trading partners	Relationship	Purpose and Use of Disposal	Price Reference	Other Terms
Falcon Machine Tools Co., Ltd.	Non-current assets for sale (Taya District, Taichung City)	2023/7/7	1979/1/1	\$78,898	\$297,890	Take back all	\$218,856	E-tech Machinery	None	Cost saving, revival assets and strengthen operational capital	Reference to market conditions and appraisal report	None

(7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2022

Company Name	Related Party	Relationship	Transaction Details				Different		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment/Collection Term	Unit price	Credit period	Balance	% to Total	
Falcon Machine Tools Co., Ltd.	CHEVALIER MACHINERY, LTD.	Subsidiary	Sale	\$270,271	31.56%	Same as other customers	None	None	\$28,595	17.43%	

(8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2022:  
None

(9) Financial instruments and derivative transactions: None

(10) Significant intercompany transactions between the parent with subsidiaries or among subsidiaries: Please refer to Note 13.1(7).

2. Information on investees:

Information on investees are as follows (excluding investment in Mainland China)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares (in thousand)	%	Carrying Amount (Note 4)			
Falcon Machine Tools Co., Ltd.	Chevalier Machinery, Inc.	9925 TABOR PLACE, SANTA FE SPRINGS, CA90670, USA	Machine imports and distributions	\$103,047	\$103,047	2,120	100.00 %	\$167,178	\$32,468	\$33,161	Note 2, 3, 4
Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	P.O. BOX 3321 ROAD TOWN, TORTOLA (B.V.I)	General investment	\$279,900	\$279,900	8,795	100.00 %	\$129,888	(\$33,595)	(\$33,509)	Note 1, 2, 3, 4
Falcon Machine Tools Co., Ltd.	Lin Yu International Industrial Co., Ltd.	8F, No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	Real Estate Agent	\$150,000	\$50,000	15,000	100.00 %	\$129,749	(\$19,648)	(\$19,648)	Note 3
Falcon Machine Tools Co., Ltd.	Hwang Kang Machinery Co., Ltd.	No. 262, Xinggong Rd., Hemei Township, Changhua County 508003, Taiwan (R.O.C.)	Sheet-metal and parts manufacturing and processing	\$17,897	\$17,897	2,287	40.18%	\$19,664	(\$11,832)	(\$4,754)	Note 2

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares (in thousand)	%	Carrying Amount (Note 4)			
Falcon Machine Tools Co., Ltd.	Focus CNC Co., Ltd.	No. 16, Longshan 2nd St., Daya Dist., Taichung City 428006, Taiwan (R.O.C.)	Machine manufacturing and processing	\$16,910	\$16,910	8,337	39.18%	\$138,848	\$19,304	\$7,564	Note 2
Falcon Machine Tools Co., Ltd.	Ching Young International Industrial CO., LTD	5 F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	Real Estate Agent	\$15,000	-	1,500	7.50%	\$17,149	\$45,449	\$2,149	
Lin Yu International Co., Ltd.	Ching Young International Industrial CO., LTD	5F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	Real Estate Agent	\$9,900	-	990	4.95%	\$13,036	\$45,449	\$3,136	
Lin Yu International Co., Ltd.	Shang Jia Real Estate Co., Ltd.	18F.-2, No. 317, Minghua Rd., Gushan Dist., Kaohsiung City	Housing and Building Development and Rental	\$75,000	-	7,500	30%	\$75,232	\$765	232	



Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares (in thousand)	%	Carrying Amount (Note 4)			
Lin Yu International Co., Ltd.	Jia Cen International Co., Ltd.	20F.-1, No. 251, Minquan 1st Rd., Xinxing Dist., Kaohsiung City	Real Estate Agent	\$6,000	-	600	30%	\$4,025	(\$6,584)	(\$1,975)	
Lin Yu International Co., Ltd.	Jia Yang Enterprise Co., Ltd.	20F.-1, No. 251, Minquan 1st Rd., Xinxing Dist., Kaohsiung City	Real Estate Agent	\$6,000	-	600	30%	\$4,560	(\$4,800)	(\$1,440)	

Note 1: The investment income of the investees including the recognized gains and losses of their further investments in their investees.

Note 2: The investment income of the investees including the investment gains or losses generated from downstream, upstream or sidestream deals.

Note 3: It has been consolidated written off.

Note 4: Carrying amounts including unrealized downstream gains or losses of related parties.

### 3. Information on investments in Mainland China:

- (1) The Group invests in Mainland China through Lucky Investment Services Inc. and Chevalier Machinery Co., Ltd. (Shanghai). The following consolidated inter-company transactions have been offset.

Company	Main Business	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, 2022	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow					
Chevalier Machinery Co., Ltd. (Shanghai)	Machine Tools Manufacture and Distribution	\$104,090 (USD3,390 thousand)	Indirectly invested by establishing a company in a third country	\$232,375 (USD7,568 thousand)	-	-	\$232,375 (USD7,568 thousand)	100.00%	(\$7,645) (Note 1)	\$89,075	-
Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	\$409,543 (USD13,338 thousand)	Indirectly invested by establishing a company in a third country	-	-	-	-	100.00%	(\$27,115) (Note 1)	\$155,282	-

Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$232,375 (USD7,568 thousand)	\$365,727 (USD11,911 thousand)	N/A (Note 2)

Note 1: According to audited financial statements

Note 2: According to Ministry of Economic Affairs Decree Jing-Gong No.11120415670 issued by Industrial Development Bureau on May 18, 2022, The Group's investment in Mainland China is not restricted by 60% of net worth or consolidated net worth set by Investment Review Committee.

Note 3: In accordance with Second Amendment of No.11100096200 issued by Ministry of Economic Affairs on July 11, 2022, the Company is permitted to invest USD342,622 to Lucky Investment Services.

- (2) For the year ended December 31, 2023, the Group's significant transactions with investees in Mainland China that have taken place in a third country:
- a. Sale

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	\$ 23,105

b. Accounts receivable

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	\$ 8,301

c. Endorsement/Guarantee

Please refer to consolidated note 13.1(2) for further details.

4. Information on major shareholders:

As of December 31, 2023

Shareholder	Share Unit	%
Lin Ju Investment Co., Ltd.	10,061,000	9.41%
LIN, TSUNG-LIN	8,301,000	7.76%
LYU, JIN-FA	5,981,000	5.59%

14. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

1. Falcon in Taiwan: for manufacturing, processing and marketing and sales of CNC grinder, milling machine, vertical lathe, comprehensive processing machine etc.
2. Chevalier Machinery, Inc. (abbrev. C.M.I.): for marketing and sales in north America region.
3. Mainland region : for manufacturing, processing of grinder, milling machine etc. and marketing and sales in Mainland region.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, the income tax measured in the consolidated financial statements were based on the Group's management and have not been allocated to operating segments.

Prices for inter-segment transactions were based on the prices of normal transactions with third parties.

Reportable segment information was as follows:

(1) For year ended December 31, 2023

	Taiwan Falcon	America	Mainland Region	Other Segments	Adjustments and eliminations	Total
Revenues						
External customers	\$562,930	\$454,247	\$257,706	\$15,900	-	\$1,290,783
Inter-segment	293,376	167	1,459	-	(\$295,002)	-
Total	<u>\$856,306</u>	<u>\$454,414</u>	<u>\$259,165</u>	<u>\$15,900</u>	<u>(\$295,002)</u>	<u>\$1,290,783</u>
Segment gains or loss	<u>\$159,344</u>	<u>\$43,556</u>	<u>(\$34,671)</u>	<u>(\$53,250)</u>	<u>\$54,763</u>	<u>\$169,742</u>
Segment assets	<u>\$2,543,094</u>	<u>\$350,165</u>	<u>\$511,237</u>	<u>\$386,467</u>	<u>(\$861,593)</u>	<u>\$2,929,370</u>

For year ended December 31, 2022:

	Taiwan Falcon	America	Mainland Region	Other Segments	Adjustments and eliminations	Total
Revenues						
External customers	\$892,752	\$445,104	\$272,696	-	-	\$1,610,552
Inter-segment	298,783	211	209	-	(\$299,203)	-
Total	<u>\$1,191,535</u>	<u>\$445,315</u>	<u>\$272,905</u>	<u>-</u>	<u>(\$299,203)</u>	<u>\$1,610,552</u>
Segment gains or loss	<u>(\$2,204)</u>	<u>\$33,641</u>	<u>(\$57,044)</u>	<u>(\$64,745)</u>	<u>\$103,037</u>	<u>\$12,685</u>
Segment assets	<u>\$2,079,164</u>	<u>\$412,898</u>	<u>\$571,345</u>	<u>\$325,891</u>	<u>(\$916,074)</u>	<u>\$2,473,224</u>

2.revenue, gains or losses, assets, liabilities and other significant items of the reportable segments were not adjusted.

### 3.Geographical information

#### (1)Revenues from external customers :

	<u>2023</u>	<u>2022</u>
America	\$516,935	\$590,203
Mainland China	427,886	522,717
Taiwan	70,233	135,204
Europe	133,572	95,399
Others	142,157	267,029
Total	<u>\$1,290,783</u>	<u>\$1,610,552</u>

The revenue information above is based on the location of the customer.

#### (2) Noncurrent assets

	<u>2023.12.31</u>	<u>2022.12.31</u>
Taiwan	\$231,949	\$225,645
Mainland China	114,038	121,071
America	22,783	29,863
Total	<u>\$368,770</u>	<u>\$375,579</u>

### 4.Information about major customers

The Group's customers whose sales revenue accounted for more than 10% of the revenue on the income statement in 2023 and 2022: None.