

# **APEX DYNAMICS, INC.**

Parent Company Only Financial Statements  
for the Years Ended December 31, 2023 and 2022  
and Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of APEX Company:

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### **1. Revenue recognition**

Please refer to Note.4 (13) “Revenue” and Note.6 (22) “Revenue from contracts with customers” to the parent company only financial statements.

Description of key audit matter:

APEX DYNAMICS, INC sells precision gearbox, precision mechanical parts, etc. Operating revenue is recognized according to the individual sales contract at the time of the transfer of control of the commodity, and the control transfer of the commodity is identified according to the trading conditions of the individual sales contract, and the revenue from sales is recognized accordingly. In addition, APEX DYNAMICS, INC is a listed company, in order to meet the expectations of investors, the company has pressured to maintain revenue and stable profits. Therefore, whether the timing of revenue recognition is correct has a significant impact on the financial statements, so the test of revenue recognition is one of the important evaluation items for the accountant to perform the financial report review of APEX DYNAMICS, INC.

- Check external vouchers and account records to confirm whether the payment is consistent with the transaction partner.
- Compare the difference between the sales revenue of the top 10 sales customers and the same period last year to assess whether there are any material anomalies.
- Perform a cut-off test for a period of the time before and after the balance sheet date.
- Realize the main type of revenue, contract terms, and transaction conditions to evaluate whether the accounting policies for revenue recognition timing are appropriate.
- Sample and review sales contracts or order on a sample basis, evaluate the impact of contract terms and transaction conditions on revenue recognition, and confirm if the accounting treatments are appropriate.

## **2. Assessment of Inventory**

The accounting principle of inventory, refer to the parent company only financial statements Note.4 (7)“inventory”, the assessment of accounting estimate and assumption uncertainty, refer to the parent company only statements Note.5; the explanation of inventory assessment refers to the parent company only financial statements Note.6 (5).

Description of key audit matter:

The Company’s inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventory evaluation is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included conducting sampling to examine accuracy of inventory aging; assessing the Company’s inventory decline or rationality of debt ratio; examining accuracy of allowance amount of inventory of past years, and comparing with this period; assessing whether estimation method this period presents fairly; examining whether the valuation of inventories is in compliance with the accounting policies of the Company; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

The accountant's main audit procedures for the above key audit matters include:

- Analyze the amount of inventory depreciation between years and understand the reasons for the differences.
- Check the form to verify the correctness of inventory age classification.
- Verify the rationality of the basic assumptions used in calculating the net realisable value to verify the rationality of the provision of depreciation losses.
- Conduct inventory draws at the end of the year to confirm and evaluate whether the inventory is obsolete or damaged.

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

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

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

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- (1) Identify and assess the risks of material misstatement of the 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 Company's internal control.

- (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 Company's ability to continue as a going concern, if we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the 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 the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tsu-Hsin, Chang and Cheng Hsueh, Chen.

KPMG

Taipei, Taiwan (Republic of China)

February 23, 2024

#### Notes to Readers

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

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

**APEX DYNAMICS, INC.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**December 31, 2023 and 2022**  
(In Thousands of New Taiwan Dollars)

		<u>December 31, 2023</u>		<u>December 31, 2022</u>				<u>December 31, 2023</u>		<u>December 31, 2022</u>	
<b>Assets</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Current assets:</b>						<b>Liabilities and Equity</b>					
1100	Cash and cash equivalents (Note.6(1))	\$ 4,069,927	39	2,389,845	23	<b>Current liabilities:</b>					
1110	Current financial assets at fair value through profit or loss (Note.6(2))	187	-	127	-	2130	Current contract liabilities (Note.6 (22)and7)	\$ 1,028	-	3,778	-
1150	Notes receivable, net (Note.6(3))	2,294	-	1,985	-	2170	Accounts payable	53,481	1	97,991	1
1170	Accounts receivable, net (Note.6(3))	198,320	2	306,966	3	2200	Other payables	84,838	1	111,064	1
1180	Accounts receivable due from related parties, net (Notes.6(3) and 7)	23,140	-	65,813	-	2220	Other payables-Related person (Note.7)	123	-	65	-
1200	Other receivables, net (Note.6(4))	33,563	-	17,975	-	2230	Current tax liabilities	208,431	2	254,064	3
1210	Other receivables due from related parties, net (Notes.6(4) and 7)	499,598	5	596,390	6	2280	Current lease liabilities (Note.6(15) )	17,177	-	16,990	-
1220	Current tax assets	1,213	-	4,814	-	2300	Other Current Liabilities (Note.6 (13)(16))	<u>2,751</u>	-	<u>2,046</u>	-
130X	Inventory(Note.6(5))	1,655,482	16	1,458,107	14	<b>Total Current Liabilities</b>		<u>367,829</u>	<u>4</u>	<u>485,998</u>	<u>5</u>
1410	Prepayments (Note.6(6))	4,886	-	5,120	-	<b>Non-Current Liabilities:</b>					
1476	Other current financial assets (Note.6(11) and 8)	<u>479,577</u>	<u>5</u>	<u>2,061,569</u>	<u>20</u>	2570	Deferred tax liabilities (Note.6(18) )	-	-	364	-
<b>Total current assets</b>		<u>6,968,187</u>	<u>67</u>	<u>6,908,711</u>	<u>66</u>	2580	Non-current lease liabilities (Note.6(15) )	94,463	1	111,638	1
<b>Non-current assets:</b>						2630	Long-term deferred revenue (Note.6(16) )	5,377	-	5,749	-
1550	Investments accounted for using equity method (Note.6(7))	844,916	8	779,562	8	2645	Guarantee deposits received (Note.6(13))	<u>1,899</u>	-	-	-
1600	Property, plant and equipment (Note.6(8). 8 and 9)	2,361,216	23	2,528,062	25	<b>Total Non-Current Liabilities</b>		<u>101,739</u>	<u>1</u>	<u>117,751</u>	<u>1</u>
1755	Right-of-use asset (Note.6(9))	108,724	1	125,939	1	<b>Total Liabilities</b>		<u>469,568</u>	<u>5</u>	<u>603,749</u>	<u>6</u>
1780	Intangible assets (Note.6(10))	2,095	-	2,836	-	<b>Equity (Note.6(19) )</b>					
1840	Deferred tax assets (Note.6(18))	15,388	-	15,064	-	3100	Capital stock	801,714	8	801,714	8
1920	Guarantee deposits paid (Note.6(11))	183	-	183	-	3200	Capital surplus	1,364,285	13	1,524,628	14
1990	Other non-current assets, others (Note.6 (11))	<u>25,768</u>	<u>1</u>	<u>28,858</u>	-	3300	Retained earnings	<u>7,690,910</u>	<u>74</u>	<u>7,459,124</u>	<u>72</u>
<b>Total Non-current assets</b>		<u>3,358,290</u>	<u>33</u>	<u>3,480,504</u>	<u>34</u>	<b>Total equity</b>		<u>9,856,909</u>	<u>95</u>	<u>9,785,466</u>	<u>94</u>
<b>Total assets</b>		<u>\$ 10,326,477</u>	<u>100</u>	<u>10,389,215</u>	<u>100</u>	<b>Total Liabilities and Equity</b>		<u>\$ 10,326,477</u>	<u>100</u>	<u>10,389,215</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

**APEX DYNAMICS, INC.**

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**

**For the years ended December 31, 2023 and 2022**

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		For the years ended December 31			
		<b>2023</b>		<b>2022</b>	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note.6(22) and 7)</b>	2,132,246	100	2,966,054	100
5000	<b>Operating costs (Note.6(5) (8) (9) (15) (17) (23)and 7)</b>	<u>1,043,625</u>	<u>49</u>	<u>1,530,133</u>	<u>52</u>
	<b>Gross Profit</b>	<u>1,088,621</u>	<u>51</u>	<u>1,435,921</u>	<u>48</u>
	<b>Operating Expenses (Note.6(8) (9) (10) (15) (17) (23) and7):</b>				
6100	Selling expenses	30,662	1	37,908	1
6200	Administrative expenses	191,259	9	201,832	7
6300	Research and development expenses	<u>31,967</u>	<u>2</u>	<u>43,063</u>	<u>1</u>
		<u>253,888</u>	<u>12</u>	<u>282,803</u>	<u>9</u>
	<b>Net operating income</b>	<u>834,733</u>	<u>39</u>	<u>1,153,118</u>	<u>39</u>
	<b>Non-operating revenue and expenses (Note.6(24)):</b>				
7100	Interest income	158,610	8	51,102	2
7010	Other income	5,571	-	1,171	-
7020	Other gains and losses, net	29,610	1	195,375	6
7050	Finance costs, net (Note.6(15))	(1,333)	-	(5,842)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	<u>65,354</u>	<u>3</u>	<u>(4,726)</u>	<u>-</u>
		<u>257,812</u>	<u>12</u>	<u>237,080</u>	<u>8</u>
7900	Profit before tax	1,092,545	51	1,390,198	47
7950	Total tax expense (Note.6(18))	<u>219,388</u>	<u>10</u>	<u>266,104</u>	<u>9</u>
	<b>Profit</b>	<u>873,157</u>	<u>41</u>	<u>1,124,094</u>	<u>38</u>
8300	Other comprehensive income, net	-	-	-	-
8500	<b>Total comprehensive income</b>	<u><b>\$ 873,157</b></u>	<u><b>41</b></u>	<u><b>1,124,094</b></u>	<u><b>38</b></u>
	<b>Earnings per share (Note 6(21))</b>				
9750	Basic earnings per share (NT\$)	<u>\$ 10.89</u>		<u>14.47</u>	
9850	Diluted earnings per share (NT\$)	<u>\$ 10.89</u>		<u>14.46</u>	

The accompanying notes are an integral part of the parent company only financial statements.

## APEX DYNAMICS, INC.

### PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	Retained earnings					
	Ordinary shares	Capital surplus	Legal reserve	Undistributed earnings	Total	Total Equity
<b>Balance at January 1, 2022</b>	\$ 729,284	83,002	783,598	6,134,859	6,918,457	7,730,743
Profit				1,124,094	1,124,094	1,124,094
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,124,094	1,124,094	1,124,094
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	86,245	(86,245)	-	-
Cash dividends of ordinary share	-	-	-	(583,427)	(583,427)	(583,427)
	-	-	86,245	(669,672)	(583,427)	(583,427)
Cash Capital Increase	72,430	1,432,524	-	-	-	1,504,954
Cost of share-based payment payable	-	9,102	-	-	-	9,102
<b>Balance at December 31, 2022</b>	<b>\$ 801,714</b>	<b>1,524,628</b>	<b>869,843</b>	<b>6,589,281</b>	<b>7,459,124</b>	<b>9,785,466</b>
<b>Balance at January 1, 2023</b>	\$ 801,714	1,524,628	869,843	6,589,281	7,459,124	9,785,466
Profit				873,157	873,157	873,157
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	873,157	873,157	873,157
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	112,409	(112,409)	-	-
Cash dividends of ordinary share	-	-	-	(641,371)	(641,371)	(641,371)
Cash dividends of Capital surplus	-	(160,343)	-	-	-	(160,343)
	-	(160,343)	112,409	(753,780)	(641,371)	(801,714)
<b>Balance at December 31, 2023</b>	<b>\$ 801,714</b>	<b>1,364,285</b>	<b>982,252</b>	<b>6,708,658</b>	<b>7,690,910</b>	<b>9,856,909</b>

The accompanying notes are an integral part of the parent company only financial statements.

# APEX DYNAMICS, INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

**For the years ended December 31, 2023 and 2022**

(In Thousands of New Taiwan Dollars)

	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,092,545	1,390,198
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	233,321	255,199
Amortization expenses	839	735
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(60)	1,277
Interest expenses	1,333	5,842
Interest incomes	(158,610)	(51,102)
Dividend incomes	(11)	(11)
Cost of share-based payment payable	-	9,102
Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	(65,354)	4,726
Gains on disposal of property, factory and equipment	(1,050)	(11)
<b>Total adjustments to reconcile profit (loss)</b>	<u>10,408</u>	<u>225,757</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets		
Decrease (increase) in notes receivable	(309)	5,694
Decrease (increase) in notes receivable	108,646	(45,779)
Decrease (increase) in accounts receivable due from related parties	42,673	12,903
Decrease (increase) in other receivable	2,561	(1,460)
Adjustments for decrease (increase) in inventories	(197,375)	(28,916)
Decrease (increase) in prepayments	136	(252)
Adjustments for decrease (increase) in other current assets	-	24
Decrease (increase) in other finance assets	(6,008)	(6)
<b>Total change in operating assets</b>	<u>(49,676)</u>	<u>(57,792)</u>
<b>Total changes in operating liabilities</b>		
Increase (decrease) in contract liabilities	(2,750)	2,876
Increase (decrease) in accounts payable	(44,510)	31,929
Increase (decrease) in Other payables	(16,731)	29,446
Increase in other payables – related parties	58	53
Adjustments for increase (decrease) in other current liabilities	333	(418)
<b>Total changes in operating liabilities</b>	<u>(63,600)</u>	<u>63,886</u>
<b>Total changes in operating assets and liabilities</b>	<u>(113,276)</u>	<u>6,094</u>
<b>Total adjustments</b>	<u>(102,868)</u>	<u>231,851</u>
Cash inflow (outflow) generated from operations	989,677	1,622,049
Interest received	140,253	48,123
Dividends received	11	11
Interest paid	(1,333)	(6,401)
Income taxes refund (paid)	(262,108)	(204,838)
<b>Net cash flows from operating activities</b>	<u>866,500</u>	<u>1,458,944</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	61,293
Acquisition of property, plant and equipment	(45,518)	(121,735)
Proceeds from disposal of property, plant and equipment	1,300	11
Increase in refundable deposits	-	(38)
Decrease (increase) in other receivable- related parties	97,000	54,000
Acquisition of intangible assets	-	(801)
Decrease in other financial assets	1,588,000	795,043
Increase in other non-current assets	(10,393)	(24,307)
<b>Cash provided by (used in) investing activities</b>	<u>1,630,389</u>	<u>763,466</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	-	118,000
Decrease in short-term loans	-	(1,697,000)
Proceeds from long-term debt	-	44,955
Repayments of long-term debt	-	(1,064,100)
Increase in guarantee deposits received	1,899	-
Payments of lease liabilities	(16,992)	(16,661)
Cash dividends paid	(801,714)	(583,427)
Proceeds from issuing shares	-	1,504,954
<b>Cash provided by (used in) investing activities</b>	<u>(816,807)</u>	<u>(1,693,279)</u>
Net increase in cash and cash equivalents	1,680,082	529,131
Cash and cash equivalents at beginning of period	2,389,845	1,860,714
Cash and cash equivalents at end of period	<u>\$ 4,069,927</u>	<u>2,389,845</u>

The accompanying notes are an integral part of the parent company only financial statements.

# APEX DYNAMICS, INC.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(Amounts In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

#### 1. Company history

The APEX DYNAMICS, INC. (Hereinafter referred to as the "Company", named Taiwan Guangyong Power Technology Co., Ltd.), established on October 26, 1999 with the approval of the Ministry of Economic Affairs, The Taiwan Guangyong Power Technology Co., Ltd. merged with APEX DYNAMICS, INC. on December 26, 2008, and took the company as the surviving company after the merger, It was renamed as APEX DYNAMICS, INC. on February 26, 2009, registered at No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City, Taiwan. The main business items of the company are the manufacture of mechanical transmission components such as precision gearbox and Mechanical Drive System Accessories.

The company's stock has been approved for listing and trading by the Taiwan Stock Exchange, it has been officially listed on the Taiwan Stock Exchange since May 9, 2022.

#### 2. Approval date and procedures of the financial statements:

The company only financial statements were authorized for issuance by the Board of Directors on February 23, 2024.

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

##### (1) The impact of the newly released, revised standards, interpretations and recognized by the "Financial Supervisory Commission Taiwan".

The company began to apply the following newly revised "International Financial Reporting Standards" from January 1, 2023, and it did not have a significant impact on individual financial reports.

- Amendments to "International Accounting Standards" No.1: "Disclosure of Accounting Policies".
- Amendments to "International Accounting Standards" No.8: "Definition of Accounting estimate".
- Amendments to "International Accounting Standards" No.12: "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction".

The International Financial Reporting Standards have been applied to the parent company only financial statements of the merged company since May 23, 2023, and has not had a significant impact on the parent company only financial statements.

- Amendments to "International Accounting Standards" No.12: "International Tax Reform—Pillar Two Model Rules".

##### (2) The impact of haven't passed the International Financial Reporting Standards recognized by the "Financial Supervisory Commission Taiwan".

The company assesses that the application of the following newly revised International Financial Reporting Standards, which will take effect from January 1 2024, will not have a significant impact on individual financial reports.

- Amendment to "International Accounting Standards", No.1: "Classification of Liabilities as Current or Non-current".
- Amendments to "International Accounting Standards", No.1: "Non-Current Liabilities with Covenants".
- Amendment to "International Accounting Standards", No.7 and "International Financial Reporting Standards", No.7: "Supplier Finance Arrangements".

- Amendments to "International Financial Reporting Standards", No.16: "Lease-Liabilities in Sale-leaseback".

**(3) Newly released and revised standards and interpretations not yet approved by the "Financial Supervisory Commission Taiwan":**

The company expects that the following other unrecognized newly issued and revised standards will not have a significant impact on individual financial reports.

- Amendments to "International Financial Reporting Standards" No. 10 and "International Accounting Standards" No. 28 "Asset sale or investment between investors and their affiliates or joint ventures"
- "International Financial Reporting Standards" No. 17: "Contract of Insurance", and amendments to "International Financial Reporting Standards" No. 17.
- Amendments to " International Accounting Standards " No. 21" Lack of Exchangeability ".

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

A summary of the significant accounting policies adopted in this individual financial report is as follows. The following accounting policies have been consistently applied to all periods presented in this individual financial report.

**(1) Statement of compliance**

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

**(2) Basis of preparation**

A. Basis of measurement

Except for financial assets measured at fair value through profit or loss, which are measured at fair value, this individual financial report has been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which it operates. This individual financial report is expressed in New Taiwan dollars, the company's functional currency. All financial information expressed in New Taiwan dollars is in thousands of New Taiwan dollars.

**(3) Foreign currency**

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

Foreign currency exchange differences arising from translation are normally recognized in profit or loss.

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

An asset is classified as current when :

- A. It is expected to be realized, or intended to be sold or consumed, during the normal operating cycle.
- B. It is held primarily for the purpose of trading.
- C. It is expected to be realized within twelve months after the reporting period.

- D. The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is classified as current when:

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

#### **(5) Cash and cash equivalents**

Cash comprises cash on hand, check deposits and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

#### **(6) Financial instruments**

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

##### **A. Financial assets**

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

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### **(a) Financial assets measured at amortized cost**

When a financial asset meets the following conditions at the same time and is not designated as measured at fair value through profit or loss, it is measured at cost after amortization:

- The financial asset is held under the business model for the purpose of collecting contractual cash flow.
- The contractual terms of the financial asset generate cash flows on specified dates that are exclusively payments of principal and interest on the principal amount outstanding.

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

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

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss, including derivative financial assets. (For example, holding financial assets for trading and managing purposes on a fair value basis for evaluating performance.) At the time of original recognition, in order to eliminate or significantly reduce the improper accounting ratio, the company may irrevocably designate financial assets that meet the conditions of measuring at amortized cost or at fair value through other comprehensive profit and loss as at fair value through profit or loss. Financial assets measured by value.

These assets are subsequently measured at fair value and the net gain or loss, including any dividend and interest income, is recognized in profit or loss.

(c) Impairment of financial assets

The company's financial assets (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, deposits and other financial assets, etc.) measured at cost after amortization) and contract assets are recognized as an allowance for expected credit losses.

The following financial assets are measured against allowance losses based on twelve-month expected credit loss amounts, the rest are measured by the amount of expected credit losses during the duration:

- Debt securities are judged to have low credit risk at the reporting date, and;
- The credit risk of other debt securities and bank deposits (the risk of default during the expected life of the financial instrument) has not increased significantly since original recognition.

The allowance for losses on accounts receivable and contract assets is measured by the amount of expected credit losses during the duration. When determining whether the credit risk has increased significantly since the original recognition, the Company considers reasonable and verifiable information (obtainable without excessive cost or investment), including qualitative and quantitative information, and analysis based on the company's historical experience, credit evaluation and forward-looking information.

If the contract payment is overdue for more than 90 days, the company assumes that the credit risk of the financial asset has increased significantly.

If the contract payment is overdue for more than 120 days, or the borrower is unlikely to fulfill its credit obligations to pay the full amount to the company, the company considers the financial asset to be in default.

The expected credit loss during the duration refers to the expected credit loss arising from all possible default events during the expected duration of the financial instrument.

Twelve-month expected credit loss refers to the expected credit loss arising from possible default events of financial instruments within twelve months after the reporting date, or a shorter period if the expected life of the financial instrument is less than twelve months.

The longest period for measuring expected credit losses is the longest contractual period over which the Company is exposed to credit risk.

Expected credit loss is a probability-weighted estimate of credit loss during the expected life of a financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows that the company can receive under the contract and the cash flows that the company expects to receive. Expected credit losses are discounted at the financial asset's effective interest rate.

The company assesses whether financial assets measured at amortized cost are credit-impaired at each reporting date. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred.

An allowance for a financial asset carried at amortized cost is deducted from the asset's carrying amount and the amount of the allowance or reversal is recognized in profit or loss.

When the company cannot reasonably expect to recover all or part of the financial assets, it directly reduces the total book value of its financial assets. The company analyzes the timing and amount of write-offs individually on the basis of whether it is reasonably expected to be recoverable. The Company does not anticipate a material reversal of the amount written off. However, written-off financial assets are still enforceable to comply with the Company's procedures for recovering overdue amount.

(d) Delisting of Financial Assets

The Company only terminates its contractual rights to the cash flows from the asset, or has transferred the financial asset and substantially all the risks and rewards of ownership of the asset have been transferred to another enterprise, financial assets are declassified when they have neither transferred nor retained substantially all the risks and rewards of ownership nor retained control over the financial asset.

If the Company enters into a transaction to transfer financial assets, if it retains all or substantially all the risks and rewards of ownership of the transferred assets, it will continue to recognize in the balance sheet.

B. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equity

The debt and equity instruments issued by the company are classified as financial liabilities or equity according to the substance of the contract agreement and the definition of financial liabilities and equity instruments.

(b) Equity transaction

An equity instrument is any contract that recognizes the Company's remaining interest in an asset less all of its liabilities. The equity instruments issued by the company are recognized at the amount obtained after deducting the direct issuance costs.

(c) Treasury Stock

When repurchasing the recognized equity instruments of the Company, the consideration paid (including directly attributable costs) shall be recognized as a decrease in equity. Shares repurchased are classified as treasury stocks. Subsequent sales or reissue of treasury stocks, the amount received is recognized as an increase in equity, and the surplus or loss resulting from the transaction is recognized as capital surplus or retained earnings (if the capital surplus is insufficient to offset).

(d) Financial Liabilities

Financial liabilities are classified as either amortized cost or fair value through profit or loss. Financial liabilities are classified as fair value through profit or loss if they are held for trading, derivatives or designated at original recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and the related net gains and losses, including any interest expense, are recognized in profit or loss.

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

(e) Delisting of Financial Liabilities

The company delists financial liabilities when the contractual obligations have been fulfilled, canceled or expired. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the modified liabilities, the original financial liabilities shall be excluded, and based on the revised terms, new financial liabilities are recognized at fair value.

When a financial liability is delisted, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities can only be offset and expressed on the balance sheet with a net amount when the company currently has a legally enforceable right to offset each other and intends to deliver with a net amount or realize assets and liquidate liabilities at the same time.

**(7) Inventory**

Inventories are measured at the lower of cost and net realizable value. Costs include acquisition, production or processing costs and other costs incurred to bring them to the usable location and state, and are calculated using the weighted average method. The cost of finished goods and work-in-progress inventories includes manufacturing overhead apportioned in appropriate proportions based on normal production capacity.

Net realizable value refers to the estimated selling price under normal business conditions less the estimated cost to complete the project and the estimated cost to complete the sale.

**(8) Investment Subsidiary**

When preparing the individual financial report, the company adopts the equity method to evaluate the controlling invested company. Under the equity method, the current profit and loss and other comprehensive profit and loss in the individual financial report are the same as the share of the current profit and loss and other comprehensive profit and loss attributable to the owner of the parent company in the financial report prepared on the basis of consolidation, and the owner's equity in the individual financial report is the same as the equity attributable to the owner of the parent company in the financial report prepared on the basis of consolidation.

If the company's change in the ownership interest of a subsidiary does not result in a loss of control, it shall be treated as an equity transaction with the owner.

**(9) Property, Plant and Equipment**

A. Recognition and Measurement

Property, plant and equipment are recognized and measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment losses.

When the useful life of major components of real estate, plant and equipment is different, they are treated as separate items (main components) of real estate, plant and equipment.

Gains or losses on the disposal of property, plant and equipment are recognized in profit or loss.

B. Subsequent Costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the company.

### C. Depreciation

Depreciation is calculated as the asset's cost less its salvage value and is recognized in profit or loss over the estimated useful life of each component using the straight-line method. Land is not depreciated.

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

- (a) Housing and buildings: 3~50 years
- (b) Machinery and equipment: 2~15 years
- (c) Other equipment: 2~10 years

The company reviews the depreciation method, useful life and salvage value on each reporting date, and makes appropriate adjustments when necessary.

## (10) Lease

The Company assesses whether a contract is or contains a lease at the date the contract is formed. A contract is or contains a lease if the contract transfers control over the use of an identified asset for a period of time in exchange for consideration.

### A. Lessee

The company recognizes right-of-use assets and lease liabilities on the lease commencement date, and the right-of-use assets are originally measured at cost, this cost includes the original measure of the lease liability, adjust any lease payments made on or before the lease commencement date, plus the original direct costs incurred and the estimated costs of dismantling, removing and restoring the location or the subject asset, less any rental incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the expiry of the useful life of the right-of-use asset or the expiry of the lease term, whichever is earlier, in addition, the company regularly assesses whether the right-of-use assets have been impaired and deals with any impairment losses that have occurred, and adjust the right-of-use asset in conjunction with the re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the lease inception date. If the interest rate implied by the lease is easy to determine, the discount rate is that rate, if it is not easy to determine, use the company's incremental borrowing rate. Generally speaking, the Company adopts its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

- (a) Fixed payments, including in-substance fixed payments.
- (b) Variable lease payments that depend on an index or rate, using the index or rate at lease commencement as the original measure
- (c) The residual value guarantee amount expected to be paid, and
- (d) The exercise price or penalty payable when it is reasonably certain that the purchase option or lease termination option will be exercised.

Subsequent accrual of interest on lease liabilities using the effective interest method, and measure its amount again when:

- (a) Changes in the index or rate used to determine lease payments lead to changes in future lease payments.
- (b) There is a change in the residual value guarantee amount expected to be paid.
- (c) There is a change in the valuation of the underlying asset purchase option.
- (d) There have been changes in the estimation of whether to exercise the option or terminate, and evaluated changes the assessment of the lease period.
- (e) Modify of the subject matters or scope other terms of the lease.

Lease liabilities due to changes in the aforementioned index or rate used to determine lease payments, when there is a change in the residual value guarantee amount and a change in the evaluation of the purchase, extension or termination option and is re-measured, the book value of the right-of-use asset should be adjusted accordingly, when the carrying amount of the right-of-use asset is reduced to zero, the remaining re-measured amount is recognized in profit or loss.

For a lease modification that reduces the scope of the lease, it reduces the carrying amount of the right-of-use asset to reflect partial or full termination of the lease, the difference between this and the re-measured amount of the lease liability is recognized on profit or loss.

The company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

If the agreement contains lease and non-lease components, the Company allocates the consideration in the contract to the individual lease components on a relative stand-alone price basis. Unless, when leasing land and buildings, the company chooses not to distinguish "non-lease components", but treats "lease components" and "non-lease components" as "single lease components" for processing. For short-term leases of office equipment and leases of low-value underlying assets, The Company elects not to recognize a right-of-use asset and a lease liability, relevant lease payments are recognized as expenses during the lease period on a straight-line basis.

Beginning January 1, 2022, when the basis for determining future lease payments is changed due to changes in interest rate indicators, the company uses a revised discount rate that reflects changes in another index interest rate, the lease liability is measured by discounting the revised lease payments. The company is for all rental concessions that meet all of the following conditions, choose to apply the practical expedient and not assess whether it is a lease modification:

- (a) Rent Concessions as a Direct Result of the COVID-19 Pandemic
- (b) Changes in lease payments that result in the modified lease consideration being almost the same or less than the lease consideration before the change
- (c) Any reduction in lease payments will only affect payments originally due before June 30, 2022, and
- (d) There are no material changes to the other terms and conditions of the lease

Under the practical expedient method, when rental concessions lead to changes in lease payments, the changes are recognized in profit or loss when the event or situation that initiates rental concessions occurs.

#### B. Lessor

The transaction in which the company is the lessor is to classify the lease contract according to whether it transfers almost all the risks and rewards attached to the ownership of the underlying asset on the date of establishment of the lease, if so, it is classified as a finance lease, otherwise it is classified as an operating lease. When evaluating, the company considers relevant specific indicators including whether the lease period covers the main part of the economic life of the underlying asset.

If the agreement includes lease and non-lease components, the company's International Financial Reporting Standards No. 15 allocates the consideration in the contract.

## **(11) Intangible assets**

### **A. Recognition and Measurement**

Expenses related to research activities are recognized in profit or loss when incurred. Development expenditures are made only when they can be reliably measured, the technical or commercial feasibility of the product or process has been achieved, and future economic benefits are likely to flow into the company, and capitalization begins when the company intends and has sufficient resources to complete the development and use or sell the asset. Other development expenditures are recognized in profit or loss as incurred. After original recognition, capitalized development expenditures are measured at their cost less accumulated amortization and accumulated impairment.

The company acquires other intangible assets with limited useful life, including patent rights and trademark rights, etc., it is measured by the amount after deducting accumulated amortization and accumulated impairment losses from cost.

### **B. Subsequent Expenditure**

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset concerned. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and brands.

### **C. Amortization**

Amortization, other than goodwill, is calculated as the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method from the time the intangible asset is ready for use over its estimated useful life.

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

(a) Computer software: 2~5 years

(b) Patent right: 4~25 years

(c) Trademark rights: 10 years

The company reviews the amortization method, useful life and residual value of intangible assets on each reporting date and makes appropriate adjustments when necessary.

## **(12) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is any indication that the carrying amount of the non-financial asset may have been impaired (except for inventories and deferred tax assets). If any indication exists, estimate the asset's recoverable amount. Goodwill is regularly tested for impairment every year.

For the purposes of impairment testing, a group of assets whose cash inflows are largely independent of those of other individual assets or groups of assets is the smallest identifiable group of assets. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit less disposal costs and its value in use. When assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate, the discount rate should reflect current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Impairment losses are recognized if the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount. Impairment losses are recognized immediately in profit or loss for the current period, and first reduce the book amount of the apportioned goodwill of the cash-generating unit, and then reduce the book amount of each asset in proportion to the book amount of other assets in the unit.

Goodwill impairment losses are not reversed. Non-financial assets other than goodwill are only reversed within the range not exceeding the carrying amount determined when the asset has not recognized the impairment loss in the previous year (depreciation or amortization) .

**(13) Recognition of Income**

Revenue from customer contracts

Revenue is measured by the consideration to which goods or services are transferred and to which they are expected to be entitled. Revenue is recognized when the company's control of the goods or services is transferred to the customer and the performance obligations are met. The company's main income items are explained as follows:

A. Sales of Goods

The company mainly manufactures precision reducer and Mechanical Drive System Components Accessories. The company recognizes revenue when control of the product is transferred. The transfer of control of the product means that the product has been delivered to the customer, customers can completely determine the sales channels and prices of products, and has no unfulfilled obligations that would affect the customer's acceptance of the product. Delivery occurs, when the product is shipped and the risk of obsolescence and loss has passed to the customer, and when the customer has accepted the product according to the sales contract, the acceptance clause has become invalid, or the company has objective evidence that all acceptance conditions have been met.

The company recognizes accounts receivable when the control of the goods is transferred, because the company has the unconditional right to receive the consideration at that point in time.

B. Financial Composition

The company expects that the time interval between the time when all customer contracts transfer goods or services to the customer and the time when the customer pays for the goods or services will not exceed one year. Therefore, the Company does not adjust the time value of money of the transaction price.

**(14) Government Subsidy**

When the company can receive government subsidies, the unconditional subsidies are recognized as other income. For other subsidies related to assets, when the company can reasonably believe that the conditions attached to the government subsidy will be followed and the subsidy will be received, it will be recognized in deferred income at fair value, and recognize the deferred income as other income on a systematic basis within the useful life of the asset. Government grants to compensate for the expenses or losses incurred by the company shall be recognized in profit or loss on a systematic basis and related expenses at the same time

**(15) Employee Benefits**

A. Confirm allocation plan

The contribution obligation of the defined contribution pension plan is recognized as an expense during the service period of the employee. Prepaid appropriations are recognized as an asset to the extent that they will result in a return of cash or a reduction in future payments.

B. Short-term Employee Benefits

Short-term employee benefit obligations are recognized as an expense when services are rendered. If the company has a current legal or constructive payment obligation due to the past service provided by the employee, and the obligation can be reliably estimated, the amount is recognized as a liability.

**(16) Share-Based Benefit Transactions**

The amount of the fair value of the cash-delivered share appreciation rights that should be paid to employees is to recognize expenses and increase relative liabilities during the period when employees can obtain remuneration unconditionally. The liability is re-measured against the fair value of the share appreciation rights at each reporting date and delivery date, and any changes are recognized in profit or loss.

**(17) Income Tax**

Income tax includes current and deferred income tax. Current income tax and deferred income tax shall be recognized in profit or loss, except for those related to business combination, directly recognized in equity or other items related to the comprehensive income.

Current income tax includes the estimated income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to prior year tax payable or tax refund receivable. The amount is the best estimate of the amount expected to be paid or received based on the statutory tax rate or substantive legislative tax rate on the reporting date.

Deferred income tax is recognized by measuring temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Temporary differences arising from the following situations are not recognized as deferred income tax:

- A. Assets or liabilities originally recognized in a transaction that is not a business combination and does not affect accounting profits and taxable income (losses) and there has not yet been generated an equal tax liability and deductible temporary differences.
- B. Temporary differences arising from investment in subsidiaries, affiliated enterprises and joint venture interests, the company can control the timing of the reversal of the temporary difference and it is very likely that the reversal will not occur in the foreseeable future, and:
- C. Taxable and temporary differences arise from the original recognition of goodwill.

For unused tax losses and unused income tax credits in the post-transition period, and deductible temporary differences, to the extent that future taxable income is likely to be available for use, they are recognized as deferred income tax assets. And it will be reassessed on each reporting date, and the relevant income tax benefits will be adjusted to the extent that it is not likely to be realized, or reverse the original reduced amount within the scope that it is likely to have sufficient taxable income. Deferred income tax is measured at the tax rate when the temporary difference is expected to reverse, and is based on the statutory tax rate or substantive legislative tax rate at the reporting date.

The company will offset the deferred income tax assets and deferred income tax liabilities only when the following conditions are met at the same time:

- A. Has the legally enforceable right to offset current income tax assets against current income tax liabilities, and
- B. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers whose income tax is levied by the same tax authority:
  - (a) The same taxpayer, or
  - (b) Different taxpayers, but each subject intends to settle current income tax liabilities and assets on a net basis, or realize assets and settlement simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled debt.

## **(18) Earnings per Share**

The Company presents basic and diluted earnings per share attributable to equity holders of the Company's common stock. The company's basic earnings per share is calculated by dividing the profit or loss attributable to the company's common stock holders by the weighted average number of common shares outstanding in the current period. Earnings per share is calculated by adjusting the profit and loss attributable to ordinary equity holders of the company and the weighted average number of ordinary shares outstanding, respectively, after adjusting the impact of all potential dilutive ordinary shares. The Company's potentially dilutive common stock includes employee compensation estimates.

## **(19) Department Information**

The company has disclosed departmental information in the consolidated financial report, so the individual financial report does not disclose departmental information.

## **5. Major sources of uncertainty in major accounting judgments, estimates and assumptions**

When preparing this individual financial report, management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis, and changes in accounting estimates are recognized in the period in which the change is made and in the affected future periods.

Uncertainty in the following assumptions and estimates has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and has reflected the impact of the COVID-19 epidemic, The relevant information is as follows :

### **Inventory Evaluation**

Since inventories are measured at the lower of cost and net realizable value, The company evaluates the amount of inventory on the reporting date due to normal wear and tear, obsolescence or no market value, and reduce the cost of inventories to net realizable value. This inventory evaluation is mainly based on the estimated demand for products in a specific period in the future. Therefore, there may be major changes due to rapid changes in the industry. Please refer to Note.6 (5) for the details of inventory evaluation and valuation.

## **6. Explanation of Important Accounting Items**

### **(1) Cash and cash equivalents**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 430	378
Demand deposit	98,709	699,767
Time deposit	<u>3,970,788</u>	<u>1,689,700</u>
Cash and cash equivalents listed in the cash flow statement	<u>\$ 4,069,927</u>	<u>2,389,845</u>

Please refer to Note.6 (25) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

Please refer to Note.6 (11) for details of the company's time deposits of more than three months.

## (2) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Financial assets at fair value through profit or loss:</b>		
NON-effective hedging instrument		
Beneficiary certificate-Fund	\$ <u>187</u>	<u>127</u>

Please refer to Note.6 (24) for the amount recognized in profit or loss at fair value.

## (3) Notes receivable and Accounts receivable (including related parties)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable-Due to business	\$ 2,496	2,187
Less: Allowance for losses	<u>(202)</u>	<u>(202)</u>
	<u>\$ 2,294</u>	<u>1,985</u>
Accounts receivable-Measured at amortized cost	\$ 198,335	306,981
Accounts receivable-Related parties-Amortized cost measure	23,140	65,813
Less: Allowance for losses	<u>(15)</u>	<u>(15)</u>
	<u>\$ 221,460</u>	<u>372,779</u>

The company uses a simplified approach to estimate expected credit losses for all notes receivable and accounts receivable (including related parties), that is, it is measured by the expected credit loss during the duration, for this measurement purpose, Notes receivable and accounts receivable (including related parties) are grouped according to the common credit risk characteristics representing the customer's ability to pay all due amounts in accordance with the terms of the contract, And has incorporated forward-looking information, including general economic and related industry information.

The expected credit loss analysis of the company's Notes receivable and Accounts receivable (including related parties) is as follows:

	<u>December 31, 2023</u>		
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses.
Not overdue	<u>\$ 223,971</u>	<u>0.093%</u>	<u>217</u>

  

	<u>December 31, 2022</u>		
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses
Not overdue	<u>\$ 374,981</u>	<u>0.058%</u>	<u>217</u>

The company's Notes receivable and Accounts receivable (including related parties) allowance loss changes table is as follows:

	<u>2023</u>	<u>2022</u>
Closing balance (i.e. opening balance)	\$ <u>217</u>	<u>217</u>

December 31, 2023 and 2022, the company's Notes receivable and Accounts receivable (including related parties) are not discounted or provided as collateral.

Please refer to Note 6 (25) for the credit and exchange rate risks of the Company's Notes receivable and Accounts receivable (including related parties).

#### (4) Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables-Capital loans and subsidiaries	\$ 499,000	596,000
Other receivables- Other (including related parties)	34,161	18,365
Less: Allowance for losses	<u>-</u>	<u>-</u>
	<u><b>\$ 533,161</b></u>	<u><b>614,365</b></u>

For the remaining credit risk information, please refer to Note 6 (25).

#### (5) Inventory

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw material	\$ 194,691	217,266
Semi-finished product	986,132	709,571
Work in Process	386,665	469,664
Manufactures	<u>87,994</u>	<u>61,606</u>
	<u><b>\$ 1,655,482</b></u>	<u><b>1,458,107</b></u>

The cost of goods sold is detailed as follows:

	<u>2023</u>	<u>2022</u>
Inventory sale transfer	\$ 1,064,259	1,570,704
Inventory price recovery benefit	(4,406)	(31,067)
Scrap income	(17,024)	(12,974)
Inventory loss	-	472
Other	<u>796</u>	<u>2,998</u>
	<u><b>\$ 1,043,625</b></u>	<u><b>1,530,133</b></u>

On December 31, 2023 and 2022, the company's inventory has not been pledged as a guarantee.

#### (6) Prepayments

The details of the company's prepayment are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Advance payment	\$ 3,410	993
Prepaid expenses	<u>1,476</u>	<u>4,127</u>
	<u><b>\$ 4,886</b></u>	<u><b>5,120</b></u>

#### (7) Investments using the equity method

The company's investments using the equity method on the reporting date are listed as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Millennium VEE Hotel Taichung	<u><b>\$ 844,916</b></u>	<u><b>779,562</b></u>

##### A. Subsidiaries

Please refer to the 2023 consolidated financial report.

##### B. Guarantee

On December 31, 2023 and 2022, the company's investment using the equity method did not provide pledge guarantees.

## (8) Property, plant and equipment

The details of the cost and depreciation of the company's real estate, plant and equipment in 2023 and 2022 are as follows:

	Land	Buildings	Mechanical equipment	Other facilities	Total
<b>Cost or deemed cost:</b>					
Balance on January 1, 2023	\$ 201,218	2,747,667	3,060,553	446,575	6,456,013
Additions	-	7,153	20,513	8,357	36,023
Disposals	-	(3,201)	(20,744)	(854)	(24,799)
Reclassifications	-	147	11,313	2,023	13,483
Balance on December 31, 2023	<u>\$ 201,218</u>	<u>2,751,766</u>	<u>3,071,635</u>	<u>456,101</u>	<u>6,480,720</u>
Balance on January 1, 2022	\$ 201,218	2,725,227	2,964,432	346,085	6,236,962
Additions	-	14,919	86,571	15,930	117,420
Disposals	-	-	(1,186)	(219)	(1,405)
Reclassifications	-	7,521	10,736	84,779	103,036
Balance on December 31, 2022	<u>\$ 201,218</u>	<u>2,747,667</u>	<u>3,060,553</u>	<u>446,575</u>	<u>6,456,013</u>
<b>Depreciation</b>					
Balance on January 1, 2023	\$ -	882,275	2,750,913	294,763	3,927,951
Depreciation	-	90,342	99,679	26,081	216,102
Disposals	-	(3,201)	(20,494)	(854)	(24,549)
Balance on December 31, 2023	<u>\$ -</u>	<u>969,416</u>	<u>2,830,098</u>	<u>319,990</u>	<u>4,119,504</u>
Balance on January 1, 2022	\$ -	785,048	2,628,012	278,167	3,691,227
Depreciation	-	97,227	124,087	16,815	238,129
Disposals	-	-	(1,186)	(219)	(1,405)
Balance on December 31, 2022	<u>\$ -</u>	<u>882,275</u>	<u>2,750,913</u>	<u>294,763</u>	<u>3,927,951</u>
<b>Carrying amounts:</b>					
December 31, 2023	<u>\$ 201,218</u>	<u>1,782,350</u>	<u>241,537</u>	<u>136,111</u>	<u>2,361,216</u>
January 1, 2022	<u>\$ 201,218</u>	<u>1,940,179</u>	<u>336,420</u>	<u>67,918</u>	<u>2,545,735</u>
December 31, 2022	<u>\$ 201,218</u>	<u>1,865,392</u>	<u>309,640</u>	<u>151,812</u>	<u>2,528,062</u>

Please refer to Note.8 for the details of bank loans and financing line guarantees on December 31, 2023 and 2022.

**(9) Right of use asset**

The cost and depreciation of the company's leased land, buildings and other equipment, etc., the details of the changes in 2023 and 2022 are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost			
Balance on January 1, 2023	\$ 192,615	958	193,573
Addition	<u>4</u>	<u>-</u>	<u>4</u>
<b>Balance on December 31, 2023</b>	<b><u>\$ 192,619</u></b>	<b><u>958</u></b>	<b><u>193,577</u></b>
Balance on January 1, 2022	\$ 191,661	-	191,661
Addition	<u>954</u>	<u>958</u>	<u>1,912</u>
<b>Balance on December 31, 2022</b>	<b><u>\$ 192,615</u></b>	<b><u>958</u></b>	<b><u>193,573</u></b>
Depreciation:			
Balance on January 1, 2023	\$ 67,561	73	67,634
Depreciation	<u>16,998</u>	<u>221</u>	<u>17,219</u>
<b>Balance on December 31, 2023</b>	<b><u>\$ 84,559</u></b>	<b><u>294</u></b>	<b><u>84,853</u></b>
Balance on January 1, 2022	\$ 50,564	-	50,564
Depreciation	<u>16,997</u>	<u>73</u>	<u>17,070</u>
<b>Balance on December 31, 2022</b>	<b><u>\$ 67,561</u></b>	<b><u>73</u></b>	<b><u>67,634</u></b>
Book Value:			
<b>December 31, 2023</b>	<b><u>\$ 108,060</u></b>	<b><u>664</u></b>	<b><u>108,724</u></b>
<b>January 1, 2023</b>	<b><u>\$ 141,097</u></b>	<b><u>-</u></b>	<b><u>141,097</u></b>
<b>December 31, 2022</b>	<b><u>\$ 125,054</u></b>	<b><u>885</u></b>	<b><u>125,939</u></b>

## (10) Intangible Assets

The details of the cost and amortization of the company's intangible assets in 2023 and 2022 are as follows:

	<u>Patent Right</u>	<u>Computer Software</u>	<u>Trademar k Rights</u>	<u>Total</u>
Cost:				
Balance on January 1, 2023	\$ 2,829	26,110	162	29,101
Reclassification	<u>65</u>	<u>-</u>	<u>33</u>	<u>98</u>
<b>Balance on December 31, 2023</b>	<b><u>\$ 2,894</u></b>	<b><u>26,110</u></b>	<b><u>195</u></b>	<b><u>29,199</u></b>
Balance on January 1, 2022	\$ 2,735	25,008	162	27,905
Obtained separately	16	785	-	801
Reclassification	<u>78</u>	<u>317</u>	<u>-</u>	<u>395</u>
<b>Balance on December 31, 2022</b>	<b><u>\$ 2,829</u></b>	<b><u>26,110</u></b>	<b><u>162</u></b>	<b><u>29,101</u></b>
Amortization:				
Balance on December 31, 2023	\$ 1,306	24,813	146	26,265
Amortization	<u>148</u>	<u>679</u>	<u>12</u>	<u>839</u>
<b>Balance on December 31, 2023</b>	<b><u>\$ 1,454</u></b>	<b><u>25,492</u></b>	<b><u>158</u></b>	<b><u>27,104</u></b>
Balance on January 1, 2022	\$ 1,129	24,271	130	25,530
Amortization	<u>177</u>	<u>542</u>	<u>16</u>	<u>735</u>
<b>Balance on December 31, 2022</b>	<b><u>\$ 1,306</u></b>	<b><u>24,813</u></b>	<b><u>146</u></b>	<b><u>26,265</u></b>
Book Value:				
<b>December 31, 2023</b>	<b><u>\$ 1,440</u></b>	<b><u>618</u></b>	<b><u>37</u></b>	<b><u>2,095</u></b>
<b>January 1, 2022</b>	<b><u>\$ 1,606</u></b>	<b><u>737</u></b>	<b><u>32</u></b>	<b><u>2,375</u></b>
<b>December 31, 2022</b>	<b><u>\$ 1,523</u></b>	<b><u>1,297</u></b>	<b><u>16</u></b>	<b><u>2,836</u></b>

### A. Amortizations

The amortization expenses of intangible assets in 2023 and 2022 are presented in the following items in the consolidated income statement:

	<u>2023</u>	<u>2022</u>
Operating expenses	<b><u>\$ 839</u></b>	<b><u>735</u></b>

### B. Guarantee

On December 31, 2023 and 2022, the company's intangible assets have not been provided as collateral.

**(11) Other current assets and other non-current assets**

The details other current assets and other non-current assets of the company are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other financial assets:		
Deposit account: More than three months, less than one year	\$ 473,000	2,061,000
Guarantee deposits	<u>6,577</u>	<u>569</u>
	<u><b>\$ 479,577</b></u>	<u><b>2,061,569</b></u>
Other non-current assets:		
Prepayments for equipment	\$ 25,768	28,858
Guarantee deposits paid	<u>183</u>	<u>183</u>
	<u><b>\$ 25,951</b></u>	<u><b>29,041</b></u>

Please refer to Note 8 for the details of pledge guarantee.

**(12) Short-term loan**

The details of the company's short-term loans are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unused quota	<u><b>\$ 4,000,000</b></u>	<u><b>4,000,000</b></u>
Interest rate range	<u><b>0.00%</b></u>	<u><b>0.71%~0.76%</b></u>

Please refer to Note 8 for the details of the company's guarantee for bank loans with assets.

**(13) Other current liabilities and other non-current liabilities**

The details of other current liabilities and other non-current liabilities of the Company are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current liabilities:		
Deferred revenue: current	\$ 386	404
Receipts under custody	1,772	1,632
Other	<u>593</u>	<u>10</u>
	<u><b>\$ 2,751</b></u>	<u><b>2,046</b></u>
Other noncurrent liabilities:		
Guarantee deposits received	<u><b>\$ 1,899</b></u>	<u><b>-</b></u>

#### (14) Long-term borrowings

The details, terms and conditions of the company's long-term loans are as follows:

In 2022, the company has obtained low-interest loans from E.SUN Bank project of NT\$1,064,100 thousand, the contract period is five to seven years, the principal will be repaid on an average monthly basis from December 2022, The difference between the loan recognized and measured based on the market interest rate of 0.845% and the actual repayment preferential interest rate between 0.35% to 0.60% is treated as the government subsidy. Please refer to Note.6 (16). The company has fully repaid the low-interest loans of project by the end of March 2022.

#### (15) Lease liability

The carrying amounts of the Company's lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current liabilities	<u>\$ 17,177</u>	<u>16,990</u>
Non-current liabilities	<u>\$ 94,463</u>	<u>111,638</u>

For maturity analysis, please refer to Note 6 (25) Financial Instruments.

The amounts recognized in profit or loss for leases, are as follows:

	<u>2023</u>	<u>2022</u>
Interest expense on the lease liability	<u>\$ 1,324</u>	<u>1,501</u>
Expenses for short-term leases or low-value leases	<u>\$ 310</u>	<u>292</u>

Leases are recognized in the cash flow statement in the following amounts:

	<u>2023</u>	<u>2022</u>
Total cash outflows from leases	<u>\$ 18,626</u>	<u>18,454</u>

##### A. Leasing of lands and buildings

The company leases land, houses and buildings as business premises and storage warehouses for ten to twenty years and two to three years, some leases contain an option to extend the lease term for the same period as the original contract upon expiry of the lease term.

##### B. Other lease

The lease period the Company for leasing office equipment is three years, and other leases are short-term or low-value leases, the company chooses to apply the exemption recognition requirements and not recognize its related right-of-use assets and lease liabilities.

## (16) Deferred revenue

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current (Included in other current liabilities)	\$ 386	404
Non-current	<u>5,377</u>	<u>5,749</u>
Deferred revenue-Government subsidy	<u><u>\$ 5,763</u></u>	<u><u>6,153</u></u>

In 2022, the company obtained low-interest loans from E.SUN Bank project of NT\$1,064,100 thousand, based on the market interest rate at the time of the loan, the fair value of the loan was estimated at NT\$1,056,300 thousand. The difference between the acquired amount and the fair value of the loan is NT\$7,800 thousand, which is regarded as government low-interest loan subsidies, and recognize deferred revenue.

According to the contract, the loan is used to build factories and purchase equipment, Recognition of subsidy income according to the period of use of the asset. In 2023 and 2022, the company recognizes subsidy income of NT\$390 thousand and NT\$573 thousand respectively, which are listed under other income.

## (17) Employee benefits

The company's definite allocation plan is in accordance with the provisions of the Labor Pension Act, and is allocated to the Labor Insurance Bureau's individual labor pension account at a contribution rate of 6% of the monthly salary of the employee. After the company allocates a fixed amount to the Labor Insurance Bureau under this plan, there is no legal or constructive obligation to pay additional amounts.

The company's 2023 and 2022 pension expenses under the definite appropriation pension method are NT\$15,784 thousand and NT\$14,603 thousand respectively, which have been allocated to the Bureau of Labor Insurance.

## (18) Income tax

A. The income tax for 2023 and 2022 expense were as follows:

	<u>2023</u>	<u>2022</u>
Current income tax expense		
Current period incurred	\$ 205,281	253,114
Undistributed retained earnings	18,515	9,639
Investment tax credit	(1,377)	(4,193)
Prior years income tax adjustment	<u>(2,343)</u>	<u>(4,973)</u>
	<u>220,076</u>	<u>253,587</u>
Deferred tax expense		
Origin and reversal of temporary difference	193	18,730
Changes in unrecognized temporary differences	<u>(881)</u>	<u>(6,213)</u>
	<u>(688)</u>	<u>12,517</u>
Income tax expense	<u><u>\$ 219,388</u></u>	<u><u>266,104</u></u>

The company has no income tax directly recognized under equity in 2023 and 2022.

The relationship between the company's 2023 and 2022 income tax expenses and net profit before tax is adjusted as follows:

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	<u>\$ 1,092,545</u>	<u>1,390,198</u>
Income tax using the Company's domestic tax rate	\$ 218,509	278,040
The impact of the tax burden adjusted in accordance with the tax law	(12)	255
Non-deductible expenses	603	5
Tax-free income	(2)	(2)
Changes in unrecognized temporary differences	(881)	(6,213)
Prior years income tax adjustment (overestimated)	(2,343)	(4,973)
Levy-Undistributed retained earnings	18,515	9,639
Investment tax credits	(1,930)	(11,592)
Impact of investment gains or losses tax recognized in accordance with equity law	<u>(13,071)</u>	<u>945</u>
Income tax expenses	<u>\$ 219,388</u>	<u>266,104</u>

B. Deferred tax assets

(a) Unrecognized deferred tax assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 102,920</u>	<u>107,326</u>

(b) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the 2023 and 2022 were as follows:

	Unrealized Allowance for Inventory valuation and obsolescence loss	Unrealized Foreign Exchange Losses	Total
<b>Deferred tax assets:</b>			
Balance on January 1, 2023	\$ 14,032	1,032	15,064
Debit - Recognized as profit or loss	<u>-</u>	<u>324</u>	<u>324</u>
Balance on December 31, 2023	<u>\$ 14,032</u>	<u>1,356</u>	<u>15,388</u>
Balance on January 1, 2022	14,032	13,185	27,217
Credit - Recognized as profit or loss	<u>-</u>	<u>(12,153)</u>	<u>(12,153)</u>
Balance on December 31, 2022	<u>\$ 14,032</u>	<u>1,032</u>	<u>15,064</u>
<b>Deferred tax liabilities:</b>			
Balance on January 1, 2023	\$ 364		
Credit - Recognize as profit or loss	<u>(364)</u>		
Balance on December 31, 2023	<u>\$ -</u>		
Balance on January 1, 2022	\$ -		
Debit- Recognize as profit or loss	<u>364</u>		
Balance on December 31, 2022	<u>\$ 364</u>		

C. Income tax verification situation

The company's profit-seeking enterprise income tax settlement declaration has been approved by the tax collection agency until 2021.

**(19) Capital and other equity**

On December 31, 2023 and 2022, the total rated share capital of the company is NT\$1,000,000 thousand the par value of each share is NT\$10, that is 100,000 thousand shares. The above-mentioned total rated share capital is common stock, and the issued shares are all 80,171 thousand shares. Payments for all issued shares have been received.

A. Issuance of common stock

The company passed the resolution of the board of directors on December 10, 2021, handled cash capital increase and issued 7,243 thousand new ordinary shares before the stock's initial listing, NT\$10 per share. The capital increase base date of this capital increase plan is May 5th, 2022 in the Republic of China. The bidding auction method is adopted, and each successful bidder shall subscribe according to the winning bid price, The price of each winning bid and its quantity-weighted average price is NT\$211.38, the underwriting price for public subscription is NT\$200 per share. The total amount of funds raised in this capital increase project is NT\$1,507,954 thousand, which has been fully collected. The aforementioned total fundraising amount is in addition to the listed share capital of NT\$72,430 thousand, after deducting the brokerage underwriting fee of NT\$3,000 thousand, the remaining amount of NT\$1,432,524 thousand is accounted for as capital surplus in excess of par-preferred stock. The capital increase was approved by the Financial Supervision Commission, and the relevant statutory registration procedures have been completed.

In addition, the remuneration cost incurred by the company for retaining employee stock subscriptions due to the aforementioned cash capital increase project was NT\$9,102 thousand, the original account is listed in Capital surplus-Employee stock option, transferred after the cash capital increase is completed as capital surplus in excess of par-preferred stock NT\$9,102 thousand.

B. Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Capital surplus in excess of par-preferred stock	\$ 1,281,283	1,441,626
Treasury stock trading	<u>83,002</u>	<u>83,002</u>
	<u>\$ 1,364,285</u>	<u>1,524,628</u>

According to the company law, capital surplus needs to make up the losses first before issuing new shares or cash with the realized additional paid-in capital in accordance with the proportion of shareholders' original shares. The realized capital surplus referred to in the preceding paragraph includes the surplus from the issuance of stocks exceeding the par value and the income from receiving gifts. According to "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the total amount of capital surplus that can be allocated to capital every year shall not exceed 10% of the paid-in capital.

C. Retained earnings

According to the articles of association of the company, if there is any surplus in the annual final accounts, it shall be distributed in the following order:

(A) Pay income tax according to law.

- (B) Make up for previous year's losses.
- (C) Ten percent of the deposit is legal reserve, but this is not the case when the accumulated legal reserve has reached the paid-in capital of the company.
- (D) Provision or reversal of special reserve when necessary.
- (E) After deducting the previous balance, the board of directors shall prepare a distribution proposal for the balance and the previous year's earnings, and submit it to the shareholders' meeting for a resolution on distribution.

The company's dividend distribution policy depends on factors such as the company's current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets, taking into account the interests of shareholders, observing and analyzing dividends and the company's long-term financial planning, etc., according to Article 240, Item 5 of the Company Law, authorize the board of directors to have more than two-thirds of the directors present, And the resolution of more than half of the directors present shall distribute dividends and bonuses or all or part of the Legal reserve and capital surplus stipulated in Article 241, Paragraph 1 of the Company Law, in the form of cash distribution, and report to the shareholders meeting. The total shareholder dividend is the total distributable surplus that is the balance listed in (E) plus the undistributed surplus at the beginning of the period, choose a ratio within the range of 2.5% to 15% to prepare dividends and bonus proposals for shareholders with surplus distribution, among them, the proportion of shareholder cash dividend distribution shall not be less than 50% of the total shareholder dividend.

(a) Legal reserve

When the company has no losses, it may, upon resolution of the shareholders' meeting, use the legal reserve to issue new shares or cash, provided that the amount exceeds 25% of the paid-in capital.

(b) Surplus appropriation

The company passed the resolution of the board of directors on February 24, 2023., the amount of cash dividends for the 2022 profit distribution plan, and the resolution of the 2021 profit distribution plan at the general meeting of shareholders on March 25, 2022, and the distribution of dividends to owners The amount is as follows:

	<b>2022</b>		<b>2021</b>	
	Allotment ratio		Allotment ratio	
	<b>NT\$</b>	<b>Amount</b>	<b>NT\$</b>	<b>Amount</b>
Dividends distributed to owners of common stock:				
Cash	\$ 10.00	<u>801,714</u> (Note)	8.00	<u>583,427</u>

(Note): Distributing a total of 160,343 thousand in cash as capital surplus, with a dividend of 2 dollars per share.

The company plans to approve the cash dividend amount for the 2023 profit distribution plan on February 23, 2024. The amount of dividends to be distributed to owners is as follows:

	<b>2023</b>	
	Allotment ratio	
	<b>NT\$</b>	<b>Amount</b>
Dividends distributed to owners of common stock:		
Cash	\$ 10.00	<u>801,714</u> (Note)

(Note): Distributing a total of 160,343 thousand in cash as capital surplus, with a dividend of 2 dollars per share.

**(20) Share based payment**

There were no significant changes in share-based payment transaction of the company in 2023. The changes for 2022 are as follows:

On December 10, 2021, the board of directors resolved to increase capital by cash and issue new shares, keep 10%, total of 725 thousand shares, priority subscription by the company's employees, the number of shares abandoned or undersubscribed by employees is authorized to the president to negotiate with a specific person to subscribe for sufficient shares at the issue price. The company has the following share-based payment transactions as of December 31, 2023:

	<u>Equity settled share</u>
	<u>Seasoned equity offering reserved for employee share purchase</u>
Giving day	April 22, 2022
Giving amount	725,000 shares
Contract period	April 22, 2022~ April 29, 2022
Grant object	Employee
Vested conditions	Immediately vested

The company adopts the Black Scholes option evaluation model, to estimate the fair value of the share-based payment on the grant date, the input values of this model are as follows:

	<u>2022</u>
	<u>Seasoned equity offering reserved for employee share purchase</u>
Fair value on grant date (NTD\$)	15.17
Share price on grant day (NTD\$)	215.05
Exercise price (NTD\$)	200
Implied Volatility (%)	29.04%
Duration of stock options (Year)	0.0219
Expected dividend	-
Risk free rate (%)	1.45%

The expected volatility is based on the weighted average historical volatility, and adjusted for expected changes due to publicly available information, the duration of stock options is from the date of grant to the end of payment, and the risk-free rate is based on Taiwan government bonds.

The company's 2022 expenses incurred due to share-based payment are NT\$9,102 thousand.

**(21) Earnings per share**

	<u>2023</u>	<u>2022</u>
<b>Basic earnings per share</b>		
Net income for the period attributable to holders of common shares of the Company	<u>\$ 873,157</u>	<u>1,124,094</u>
Weighted average number of common shares outstanding (thousand shares)	<u>80,171</u>	<u>77,711</u>
Basic earnings per share (Unit: NT\$)	<u>\$ 10.89</u>	<u>14.47</u>
<b>Fully diluted earnings per share</b>		
Net income for the period attributable to holders of ordinary shares of the Company	<u>\$ 873,157</u>	<u>1,124,094</u>
Weighted average number of common shares outstanding (basic) (thousand shares)	80,171	77,711
Impact of employee stock compensation (thousand shares)	<u>31</u>	<u>43</u>
Weighted average number of common shares outstanding (thousand shares) (After adjusting for the effect of dilutive potential common shares)	<u>80,202</u>	<u>77,754</u>
Diluted earnings per share (Unit: NT\$)	<u>\$ 10.89</u>	<u>14.46</u>

**(22) Revenue from customer contracts**

## A. Breakdown of income

	<u>2023</u>	<u>2022</u>
<u>Major regional markets</u>		
Asia	\$ 1,223,207	1,877,654
America	405,223	467,647
Europe	488,098	606,152
Other countries	<u>15,718</u>	<u>14,601</u>
	<u>\$ 2,132,246</u>	<u>2,966,054</u>

	<u>2023</u>	<u>2022</u>
<u>Main Product/Service Line</u>		
Gearbox	\$ 1,961,424	2,690,447
Other	<u>170,822</u>	<u>275,607</u>
	<u>\$ 2,132,246</u>	<u>2,966,054</u>

## B. Contract balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	<u>\$ 1,028</u>	<u>3,778</u>	<u>902</u>

The opening balance of contract liabilities on January 1, 2023 and 2022, the amounts recognized as revenue in 2023 and 2022 are NT\$3,763 thousand and NT\$882 thousand, respectively.

**(23) Remuneration of employees and directors**

According to the company's articles of association, if there is any profit in the year, no less than 0.5% (inclusive) should be appropriated as employee remuneration and no more than 1% (inclusive) should be allocated as director remuneration. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance. The recipients of the employee remuneration given in the preceding paragraph may include employees of affiliated companies who meet certain conditions. Employee remuneration can be distributed in the form of stock (treasury stock, new stock issuance) or cash, which should be specially resolved by the board of directors and submitted to the shareholders' meeting report.

The company's estimated employee remuneration for 2023 and 2022 is NT\$5,513 thousand and NT\$7,009 thousand respectively, and the estimated amount of directors' remuneration is NT\$4,522 thousand, it is estimated based on the company's pre-tax net profit for each period before deducting the employee and director's remuneration multiplied by the employee's remuneration and director's remuneration distribution ratio stipulated in the company's articles of association, And reported as operating costs or operating expenses in 2023 and 2022.

The actual distribution of employee and director remuneration in 2023 and 2022 is not different from the estimated amount in the company's 2023 and 2022 financial reports.

**(24) Non-operating revenue and expenses**

A. Interest income

The details of the company's interest income in 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Bank deposit-interest income	\$ 153,182	45,051
Bond investment-interest income	-	1,357
Other interest income	1	-
Related party-interest income	<u>5,427</u>	<u>4,694</u>
	<u><u>\$ 158,610</u></u>	<u><u>51,102</u></u>

B. Other income

The details of the company's other income in 2023 and 2022 are as follows: :

	<u>2023</u>	<u>2022</u>
Government subsidy income	638	583
Rent income.	4,922	577
Dividends income	<u>11</u>	<u>11</u>
	<u><u>\$ 5,571</u></u>	<u><u>1,171</u></u>

### C. Other gains and loss

The details of other profits and losses of the company in 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Foreign currency exchange profits	\$ 8,803	175,670
Disposal of interests in property, plant and equipment	1,050	11
Financial asset at fair value through profit or loss	60	(1,277)
Other Gains	<u>19,697</u>	<u>20,971</u>
	<u><b>\$ 29,610</b></u>	<u><b>195,375</b></u>

### D. Financial costs

The company's financial costs for 2023 and 2022 are detailed as follows:

	<b>2023</b>	<b>2022</b>
Interest expense-bank loan	\$ -	4,341
Interest expense- interest rate implicit in the lease	1,324	1,501
Other financial expenses	<u>9</u>	<u>-</u>
	<u><b>\$ 1,333</b></u>	<u><b>5,842</b></u>

## (25) Financial instruments

### A. Credit risk

#### (a) Credit risk maximum exposure amount

The carry amount of financial assets represents the maximum amount of credit exposure.

#### (b) Concentration of credit risk

In order to reduce the credit risk of accounts receivable, the company continuously evaluates the customer's financial situation, and will ask the other party to provide guarantee or guarantee when necessary. The company still regularly evaluates the possibility of recovering the accounts receivable and makes provision for losses, and the impairment losses are always within the management's expectations. On December 31, 2023 and 2022, the company, 44% and 57% of the accounts receivable balance are composed of several customers, so that the company has no significant concentration of credit risk.

#### (c) Credit risk of receivables

Please refer to Note.6 (3) for credit risk exposure information on notes receivable and accounts receivable.

Other financial assets measured at amortized cost include other receivables, deposits and other financial assets.

All of the above are financial assets with low credit risk, therefore, the allowance loss for the period is measured by the amount of twelve-month expected credit losses (Please refer to Note 4 (6) for the explanation of how the company determines that the credit risk is low). There is no provision for allowance for losses in 2023 and 2022.

## B. Liquidity risk

The following table presents the contractual maturity dates for financial liabilities, including estimated interest but excluding the effect of netting agreements.

	Carry amount	Cash flow	Contract			
			within 1 year	1 to 2 years	2 to 5 years	More than 5 years
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	\$ 5,763	5,763	386	325	869	4,183
Accounts payable	53,481	53,481	53,481	-	-	-
Other payables	84,961	84,961	84,961	-	-	-
lease liability (current and non-current)	111,640	118,910	18,313	9,386	27,704	63,507
Guarantee deposits received	1,899	1,899	-	-	-	1,899
	<u>\$ 257,744</u>	<u>265,014</u>	<u>157,141</u>	<u>9,711</u>	<u>28,573</u>	<u>69,589</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	\$ 6,153	6,153	404	404	882	4,463
Accounts payable	97,991	97,991	97,991	-	-	-
Other payables	111,129	111,129	111,129	-	-	-
lease liability (current and non-current)	<u>128,628</u>	<u>137,220</u>	<u>18,313</u>	<u>18,313</u>	<u>27,930</u>	<u>72,664</u>
	<u>\$ 343,901</u>	<u>352,493</u>	<u>227,837</u>	<u>18,717</u>	<u>28,812</u>	<u>77,127</u>

The company does not expect that the cash flow of maturity analysis will be significantly earlier, or the actual amount will be significantly different.

## C. Currency risk

### (a) Risk of exchange rate risk

The financial assets and liabilities of the Company exposed to significant foreign currency exchange rate risk are as follows:

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	
<u>Financial assets</u>							
<u>Monetary item</u>							
USD\$	\$	94,374	30.705	2,897,754	59,640	30.710	1,831,544
EUR€		29,972	33.980	1,018,449	16,135	32.720	527,937
CNY¥		80,544	4.327	348,514	62,410	4.408	275,103
<u>Financial liabilities</u>							
<u>Monetary item</u>							
CNY¥		3,149	4.327	13,626	7,138	4.408	31,464

### (b) Sensitivity analysis

The exchange rate risk of the Company's monetary items mainly comes from cash and cash equivalents denominated in foreign currencies, accounts receivable, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during translation. When the NT dollar depreciates or appreciates by 0.5% against foreign currencies on December 31, 2023 and 2022, with all other factors held constant, The net profit after tax in 2023 and 2022 will increase or decrease by NT\$17,004 thousand and NT\$10,412 thousand, respectively. The two-period analyzes use the same basis.

(c) Exchange gains and losses on monetary items

Exchange profit and loss information of monetary items of the company, the net foreign currency exchange (loss) gains (including realized and unrealized) in 2023 and 2022 are NT\$8,803 thousand and NT\$175,670 thousand, respectively.

D. Interest Rate Risk

The company's financial assets and financial liabilities interest rate exposure are described in the liquidity risk management of this note.

The sensitivity analysis below is based on the interest rate exposure of derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the method of analysis is to assume that the amount of liabilities outstanding at the reporting date is outstanding throughout the year. The rate of change used by the Company when reporting interest rates internally to key management personnel is a 0.5% increase or decrease in interest rates, It also represents management's assessment of the reasonably possible range of change in interest rates.

If the interest rate increases or decreases by 0.5%, and all other variables remain unchanged, the company's net profit after tax in 2023 and 2022 will decrease or increase by NT\$23 thousand and NT\$25 thousand, respectively. The main reason is the company's variable interest rate borrowings.

E. Fair value

(a) Valuation techniques for financial instruments measured at fair value:

Amount and Fair value of the company's various financial assets and financial liabilities (including fair value grade information, However, if the carrying amount of a financial instrument that is not measured by fair value is a reasonable approximation of fair value, and lease liabilities, it is not required to disclose fair value information according to regulations) as follows:

	December 31, 2023				
	Carry amount	Fair value			Total
		First level	Second level	Third level	
<b>Financial assets measured at fair value</b>					
Mandatory financial assets at fair value rough profit or loss	\$ 187	187	-	-	187
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 4,069,927	-	-	-	-
Notes receivable and Accounts receivable (include related parties)	223,754	-	-	-	-
Other receivables (Include related parties)	533,161	-	-	-	-
Guarantee deposits paid	183	-	-	-	-
Other financial assets-current	479,577	-	-	-	-
Total	<u>\$ 5,306,789</u>	<u>187</u>	<u>-</u>	<u>-</u>	<u>187</u>
<b>Financial liabilities measured at amortized cost</b>					
Accounts Payable	\$ 53,481	-	-	-	-
Other payables (Include related parties)	84,961	-	-	-	-
Long-term debt (Including deferred income and long-term loans due within one year)	5,763	-	-	-	-
Guarantee deposits received	1,899	-	-	-	-
Leased liabilities(current + non-current)	111,640	-	-	-	-
Total	<u>\$ 257,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

		December 31, 2022			
		Fair value			
	Carry amount	First level	Second level	Third level	Total
<b>Financial assets measured at fair value</b>					
Mandatory financial assets at fair value through profit or loss	\$ 127	127	-	-	127
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 2,389,845	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	374,764	-	-	-	-
Other receivables (Include related parties)	614,365	-	-	-	-
Guarantee deposits paid	183	-	-	-	-
Other financial assets-current	2,061,569	-	-	-	-
<b>Total</b>	<b>\$ 5,440,853</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>127</b>
<b>Financial liabilities measured at amortized cost</b>					
Accounts payable	\$ 97,991	-	-	-	-
Other payables (Include related parties)	111,129	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	6,153	-	-	-	-
Leased liabilities (current + non-current)	128,628	-	-	-	-
<b>Total</b>	<b>\$ 343,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(b) Fair value assessment techniques for financial instruments not measured at fair value.

The methods and assumptions used by the Company to estimate the instruments not measured at fair value are as follows:

For financial assets and liabilities measured at cost after amortization, if there is transaction or quotation information from market makers, the latest transaction price and quotation information shall be used as the basis for evaluating the fair value. If there is no market value for reference, it shall be estimated by evaluation method. The estimates and assumptions used in the valuation method are the discounted present value of the cash flows to estimate the fair value.

(c) Fair value evaluation techniques for measuring financial instruments at fair value

Non-derivative financial instruments, if there is a public quotation in an active market for a financial instrument, the fair value shall be determined based on the public quotation in the active market. The market prices announced by major exchanges and central government bond over-the-counter trading centers that are judged to be popular bonds are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments with open quotations in active markets.

If public quotations of financial instruments can be obtained timely and frequently from exchanges, brokers, underwriters, industry associations, pricing service agencies or competent authorities, and the prices represent actual and frequently occurring fair market transactions, the financial instruments There are open quotations in the active market, if the above conditions are not met, the market is considered inactive. In general, wide bid-ask spreads, large increases in bid-ask spreads, or low volume are indicators of market inactivity.

Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained by evaluation techniques or by referring to quotations from counterparties. The fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with substantially similar conditions and characteristics, the net asset value method or other evaluation techniques, including the use of market information available on the consolidated balance sheet date. And get.

(d) Transfer between the first level and the second level.

There were no transfers in the past 2023 and 2022 years.

## **(26) Financial risk management**

### **A. Overview**

The Company has exposure to the following risks from its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

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

### **B. Structure of risk management**

The company's financial management department provides services for various businesses, coordinates operations in domestic and international financial markets, and monitors and manages financial risks related to the company's operations by analyzing internal risk reports based on risk levels and breadth. The company does not trade financial instruments (including derivative financial instruments) for speculative purposes.

### **C. Credit risk**

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

#### **(a) Accounts receivable and other receivables**

In order to reduce credit risk, the company continuously evaluates the financial status and actual collection situation of major customers, and regularly evaluates the possibility of receiving receivables.

#### **(b) Investment**

The credit risk of bank deposits and other financial instruments is measured and monitored by the financial department of the company. Since the company's transaction counterparty and other party performing the contract are all credit-worthy banks, there is no major doubt about the performance of the contract, so there is no major credit risk.

#### **(c) Guarantee**

It is the company's policy to only provide financial guarantees to wholly owned subsidiaries. On December 31, 2023 and 2022, the company did not provide any endorsement guarantee.

### **D. Liquidity risk**

The company manages and maintains sufficient cash and equivalent cash to support the company's operations and mitigate the impact of cash flow fluctuations. The company's management personnel supervise the use of bank financing lines and ensure compliance with the terms of the loan contract. Bank borrowings are an important source of liquidity

for the Company. On December 31, 2023 and 2022, the company's unused short-term bank financing facilities were all NT\$4,600,000 thousand.

E. Market risk

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

(a) Currency risk

The Company is exposed to exchange rate risk arising from sales and purchase transactions that are not denominated in the functional currency. The functional currency of the group companies is New Taiwan Dollar (NTD). The main denominated currencies for these transactions are US Dollars, Euros and Chinese Yuan.

(b) Interest rate risk

The policy of the Company is based on floating interest rate then the change of market interest rate will make its effective interest rate change accordingly, and make its future cash flow fluctuate. The company negotiates interest rates with banks from time to time to reduce interest rate risk.

**(27) Capital management**

The Company's policy is to manage its capital of safeguard the capacity to continue as a going concern, returns for continue to provide returns for shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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

The company controls capital based on the debt-to-equity ratio. The ratio is calculated as net debt divided by total capital. Net debt is the total liabilities shown in the balance sheet minus cash and cash equivalents. Total capital is all the components of equity (share capital, capital surplus, retained earnings and other interests) plus net debt.

The company's capital management strategy for 2023 is consistent with that for 2022. The debt-to-equity ratios for 2023 and 31 December 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 469,568	603,749
Less: cash and cash equivalents	<u>(4,069,927)</u>	<u>(2,389,845)</u>
Net debt	<u><b>\$ (3,600,359)</b></u>	<u><b>(1,786,096)</b></u>
Total equity	<u>\$ 9,856,909</u>	<u>9,785,466</u>
Total capital (Note)	<u><b>\$ 6,256,550</b></u>	<u><b>7,999,370</b></u>
Debt-to-equity ratio	<u><b>(57.55)%</b></u>	<u><b>(22.33)%</b></u>

Note: Total capital is all components of equity plus net debt.

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

The company's non-cash transaction investment activities in 2023 and 2022 are the right-of-use assets obtained by leased, please refer to Note.6 (9).

The reconciliation of liabilities from financing activities is as follows:

	<b>Non-cash changes</b>					
	January 1, 2023	Cash flow	Increase in this period	Deferred revenue change	Lease payment change	December 31, 2023
Lease liabilities (current + non-current)	<u>\$ 128,628</u>	<u>(16,992)</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>111,640</u>

	<b>Non-cash changes</b>					
	January 1, 2022	Cash flow	Increase in this period	Deferred revenue change	Lease payment change	December 31, 2022
Short-term loan	\$ 1,579,000	(1,579,000)	-	-	-	-
Long-term loan (Including deferred revenue and Long-term loans due within one year)	1,025,871	(1,019,145)	-	(573)	-	6,153
Lease liabilities (current + non-current)	<u>143,377</u>	<u>(16,661)</u>	<u>958</u>	<u>-</u>	<u>954</u>	<u>128,628</u>
Total liabilities from financing activities	<u>\$ 2,748,248</u>	<u>(2,614,806)</u>	<u>958</u>	<u>(573)</u>	<u>954</u>	<u>134,781</u>

**7. Related-party transactions****(1) Names and relationship with the Company**

The following are related parties that had transactions with the Company during the periods covered in the non-consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Subsidiary-Millennium VEE Hotel Taichung	Subsidiaries of the Company
APEX DYNAMICS,INC. - Shanghai	Other related parties. The chairman of the company is a major shareholder of the company's legal person shareholders

**(2) Significant transactions with related parties**

## A. Operating income

## Sale of Goods to Related Parties

	<u>2023</u>	<u>2022</u>
Other related parties: APEX DYNAMICS,INC. - Shanghai	<u>\$ 253,815</u>	<u>473,210</u>

The selling price and sales conditions of the company to other related parties are not significantly different from those of general sales customers. Receivables between related parties have not received collateral, and after assessment, no provision for impairment loss is required (Loss on bad debts).

B. Accounts receivable

The details of the company's receivables from related parties are as follows:

<u>Account title.</u>	<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	Other related parties: APX DYNAMICS,INC. - Shanghai	<u>\$ 23,140</u>	<u>65,813</u>

C. Loans to related parties

The actual disbursements of the company's capital loans and related parties are as follows:

	<u>Loans receivable from related parties at the end of the period (Other receivables listed in the account - related parties)</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary: Millennium VEE Hotel Taichung	<u>\$ 499,000</u>	<u>595,000</u>

	<u>Interest income</u>		<u>Loans receivable from related parties at the end of the period (Other receivables listed in the account - related parties)</u>	
	<u>2023</u>	<u>2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary: Millennium VEE Hotel Taichung	<u>\$ 5,427</u>	<u>4,694</u>	<u>588</u>	<u>380</u>

The company's capital loan to its subsidiaries is based on the interest rate agreed by both parties in the year of appropriation, the interest rate range for 2023 and 2022 are 0.75%~1.38% and 0.75% respectively, and they are all unsecured loans. No allowance for impairment loss (bad debt expense) is assessed.

D. Leases

The company leased cars to subsidiaries and signed a one-year lease contract in 2023 and 2022. The total contract price for 2023 and 2022 is all NT\$120 thousand. The rental income for 2023 and 2022 is NT\$114 thousand, the outstanding balance on December 31, 2023 and 2022 is NT\$10 thousand, the account is listed in other receivables - related parties.

E. Other

The subsidiary provide the company's accommodation and catering related services, in 2023 and 2022, the company's expenditure amounts are NT\$2,324 thousand and NT\$408 thousand, respectively, accounted in Operating Expenses, as of December 31, 2023 and 2022, the outstanding balance is NT\$123 thousand and NT\$65 thousand, respectively, accounted in Other Payables-Related Parties.

**(3) Key management personnel compensation**

The remuneration of key management personnel includes:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 13,767	13,833
Post-employment benefits	108	108
Other long-term benefits	-	-
Severance benefits	-	-
Share based payment	-	455
	<u>\$ 13,875</u>	<u>14,396</u>

## 8. Pledged assets

The book value of the pledged assets provided by the company is as follows:

<u>Asset</u>	<u>Pledge guarantee subject</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	Bank loan	\$ 1,733,813	1,772,426
Other financial asset-current	Guarantee deposits	6,577	569
		<u>\$ 1,740,390</u>	<u>1,772,995</u>

## 9. Significant contingent liabilities and unrecognized contractual commitments

(1) Significant unrecognized contractual commitments are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of property, plant and equipment	<u>\$ 15,160</u>	<u>17,532</u>

(2) Contingent liabilities: None.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

<u>By function</u> <u>By item</u>	<u>2023</u>			<u>2022</u>		
	<u>Cost of Sale</u>	<u>Operating Expense</u>	<u>Total</u>	<u>Cost of Sale</u>	<u>Operating Expense</u>	<u>Total</u>
Employee benefits						
Salary	383,382	67,394	450,776	428,691	90,449	519,140
Labor and health insurance	40,581	7,613	48,194	33,429	8,170	41,599
Pension	13,052	2,732	15,784	11,904	2,699	14,603
Remuneration of directors	-	5,639	5,639	-	4,703	4,703
Other employee benefits	12,597	1,436	14,033	12,763	1,475	14,238
Depreciation	173,116	60,205	233,321	190,794	64,405	255,199
Amortization	-	839	839	-	735	735

For the years of 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows:

	<u>2023</u>	<u>2022</u>
Numbers of employees	<u>719</u>	<u>705</u>
Numbers of directors (non-employee)	<u>7</u>	<u>6</u>
Average employee benefit expenses	<u>\$ 743</u>	<u>843</u>
Average employee salary expenses	<u>\$ 633</u>	<u>743</u>
Percentages of average employee salary expenses	<u>(14.8)%</u>	<u>17.0%</u>
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

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

A. Remuneration of directors:

The remuneration of the company's directors is evaluated by the remuneration committee for their participation in the company's operations and the value of their contribution, authorized the board of directors to make decisions based on the evaluation of the remuneration committee and with reference to industry standards.

B. Remuneration of employee and directors:

If the company makes a profit in the year, it shall be decided by the board of directors to allocate no less than 0.5% (inclusive) of the profit to distribute employee remuneration. However, if the company still has accumulated losses, it shall first make up for them. Employee remuneration in the preceding paragraph can be paid in stock or in cash. The profits after the distribution of employee remuneration, after the recommendation of the remuneration committee and the resolution of the board of directors, directors' remuneration may be distributed at a rate not exceeding 1% (inclusive) of the profits in the preceding paragraph.

C. Remuneration of employee and manager:

The company has formulated the "Regulations for Salary Administration Salary Management Measures" and "Annual Operating Bonus Incentive Measures Performance Management Measures". The remuneration paid to employees and managers is based on their education background, work experience and reference to the salary level of their peers, With reference to the position's power and responsibility ratio, personal performance achievement, contribution to the company's operating goals, and the risk of the position, a reasonable payment policy is formulated.

### 13. Other disclosures:

#### (1) Information on significant transactions:

In 2023, in accordance with the provisions of the Financial Reporting Standards for Securities Issuers, the company should re-disclose the relevant information on major transactions as follows:

##### A. Fund loan to others:

Unit: NT\$1000

NO.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purpose	Transaction amount for business between twoparties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	APEX DYNAMICS, INC	Millennium VEE Hotel Taichung	Other receivables-related party	Yes	1,300,000	650,000	499,000 (Note3)	0.75%~1.38%	short-term financing	-	Operation Requirements	-	None	-	3,942,764 (Note 1)	3,942,764 (Note 2)

Note 1: In accordance with the company's operating procedures for lending funds to others, the maximum loan amount for individual objects should not exceed 40% of the company's net worth.

Note 2: According to the company's operating procedures for lending funds to others, the total amount of funds loaned should not exceed 40% of the net value of the company.

Note 3: Transactions between subsidiaries included in the consolidated financial report have been eliminated when preparing the consolidated financial report.

B. Endorsement for others: None.

C. Securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and joint venture interests):

Unit: NT\$1000/1000 shares

Holder	Category and name of security	Relationship with Issuer	Account subject	End of period				Note
				Shares	Carrying amount	Shareholding ratio	Fair value	
APEX DYNAMICS, INC.	Fund - Yuanta Taiwan High Dividend Quality Leading Fund	-	Financial asset flows at fair value through profit or loss	5	187	- %	187	

D. The cumulative purchase or sale of the same securities amounted to NT\$300 million or more than 20% of the paid-in capital: None.

E. The amount of real estate acquired is NT\$300 million or more than 20% of the paid-in capital: None.

F. Disposal of real estate amounting to NT\$300 million or more than 20% of the paid-in capital: None.

G. Purchases and sales of goods with related parties amount to NT\$100 million or 20% or more of the paid-in capital:

Unit: NT\$1000

Company -imports (sells) goods	Trading partner	Relation	Transaction situation				Situations and reasons why transaction conditions are different from general transactions		Notes receivable (payment), Accounts receivable		Note
			Import (sale) goods	Amount	Ratio of accounted for total (sale) goods	Credit period	Unit price	Credit period	Balance	Ratio of total receivables (pay) bills, accounts payment	
APEX DYNAMICS, INC.	APEX DYNAMICS, INC. -Shanghai	Other related parties	(sales)	(253,815)	(11.90)%	45 days monthly	-	Note 1	23,140	10.33%	

Note 1: The sales transaction price and collection period between related parties are not significantly different from those of ordinary customers.

H. Receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital:

Unit: NT\$1000

Accounts receivable / Company Name	Trading partner	Relation	Receivable related party	Turnover	Overdue receivables from related parties		Receivables from related parties	Allowance loss amount
			Payment balance		Ratio	Amount	Processing method	
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Subsidiary of APEX DYNAMICS, INC	499,000	- %	-	-	(Note.1)	-

Note 1: As of February 22, 2024.

I. The engaging in derivatives transactions: None.

**(2) Information about reinvestment business (Invested companies not including China):**

The company's reinvestment business information in 2022 is as follows:

Unit: NT\$1,000/share

Name of company	Counter-party	Area	Industry	Original investment amount		End of the period			Income Summary of the invested company	Net investment income or loss accounted	Note
				End of term	Dec, 2022	Shares	Ratio	Amount			
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Taichung, Taiwan	Hotel	1,084,602	1,084,602	70,000,000	100%	844,916	65,354	65,354	Subsidiary of APEX DYNAMICS, INC.

**(3) Information on investment in mainland China: None.**

**(4) Major shareholders:**

Unit: share

Shareholder's Name	Shareholding	
	Shares	Percentage
Hsing-Chang Investment Co., LTD	34,142,162	42.58%
Chang, Chung-Hsing	29,023,554	36.20%

**14. Segment information: None.**

Please refer to the consolidated financial statements for 2023.

**APEX DYNAMICS, INC.**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand	\$ 430
Cash in banks	Demand deposit	29,199
	Foreign currency deposits	69,510
	(RMB3,443,843.92 x4.3020	
	USD 1,428,216.53 x30.6550	
	Euro 323,041.13 x33.7800	
	Yen 456 x0.2152)	
	CHF 0.27 x36.3600)	
	Foreign currency fixed deposit	3,970,788
	(Note) (RMB 64,500,000 x4.3020	
	USD 89,629,273.70 x30.6550	
	Euro 27,996,567.24x33.7800)	
		<u>\$ 4,069,927</u>

Note : The maturity date of fixed deposit is January 4, 2024~March 13, 2024, and the interest rate is 2.65%~5.48%.

**APEX DYNAMICS, INC.**  
**Statement of Notes receivable and**  
**Accounts receivable**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

<u>Client's name</u>	<u>Description</u>	<u>Amount</u>
Notes receivable		
Client A	Operating income of non-related parties	\$ 1,586
Client B	Operating income of non-related parties	582
Client C	Operating income of non-related parties	290
Others (Note)	Operating income of non-related parties	<u>38</u>
		2,496
Allowance for impairment		<u>(202)</u>
		<u>2,294</u>
Accounts receivable		
Client D	Operating income of non-related parties	\$ 41,417
Client E	Operating income of non-related parties	33,789
Client F	Operating income of non-related parties	21,155
Client G	Operating income of non-related parties	18,805
Client H	Operating income of non-related parties	16,407
Client I	Operating income of non-related parties	11,103
Client J	Operating income of non-related parties	10,937
Others (Note)	Operating income of non-related parties	<u>44,722</u>
		198,335
Allowance for impairment		<u>(15)</u>
		<u>198,320</u>
		<u><b>\$ 200,614</b></u>

Note : If the individual amount does not exceed 5% of the balance of this subject, it will not be listed separately.

**APEX DYNAMICS, INC.**  
**Statement of Other Receivables**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivables – related parties	Accounts receivable	\$ 499,598
Other receivables	Income tax refund receivable	3,453
Other receivables	Interest receivable	<u>30,110</u>
		<u><b>\$ 533,161</b></u>

**Statement of Inventories**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Value</u>	
Raw materials	\$ 225,208	226,061	Market price is based on the net realizable value.
Semi-finished products	1,108,339	2,105,475	Market price is based on the net realizable value.
Work in process	395,167	395,167	Market price is based on the net realizable value.
Finished goods	<u>99,847</u>	<u>189,593</u>	Market price is based on the net realizable value.
	1,828,561	<u><b>2,916,296</b></u>	
Allowance to reduce inventory to market	<u>(173,079)</u>		
	<u><b>\$ 1,655,482</b></u>		

**APEX DYNAMICS, INC.**  
**Statement of Prepayments and**  
**other current assets**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

Prepayments relevant information, please refer to  
Parent Company Only Financial Statements Note.6  
(6).

**Statement of Changes in Investments**  
**Accounted for Using the Equity Method**  
**January 1 to December 31, 2023**

(In Thousands of New Taiwan Dollars)/Thousand share

Name	Beginning balance		Addition (Decrease)		Adjustments for using equity method	Ending balance			Collateral
	Shares	Amount	Shares	Amount	Subsidiary recognized amount	Shares	Percentage of ownership	Amount	
Subsidiaries recognized using the equity method:									
Millennium VEE Hotel Taichung	70,000	\$ <u>779,562</u>	-	<u>-</u>	<u>65,354</u>	70,000	100	<u>844,916</u>	None

**APEX DYNAMICS, INC.**  
**Statement of Changes in Property,**  
**Plant and Equipment**  
**January 1 to December 31, 2023**

(In Thousands of New Taiwan Dollars)

Please refer to Note 6. (8) for the Individual Financial Report for relevant information on "property, plant and equipment".

**Statement of Other Non-Current Assets**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

Other noncurrent assets relevant information, please refer to Parent Company Only Financial Statements Note.6 (11).

**APEX DYNAMICS, INC.**  
**Statement of Accounts Payables**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts Payable		
Company K	Revenue	\$ 10,646
Company L	Revenue	6,420
Company M	Revenue	5,570
Company N	Revenue	4,082
Company O	Revenue	2,717
Other (Note)	Revenue	<u>24,046</u>
		<b><u>\$ 53,481</u></b>

Note : If the individual amount does not exceed 5% of the balance of this subject, it will not be listed separately.

**Statement of Account Payables**  
**December 31, 2023**

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other payables	Salary and Wages Payable	\$ 40,157
	Other accrued expenses-estimate	14,269
	Payables on equipment	6,848
	Accrued expense	9,043
	Other accrued expense	5,513
	Employee compensation payable	4,522
	Other (Note)	<u>4,486</u>
		<b><u>\$ 84,838</u></b>

Note : If the individual amount does not exceed 5% of the balance of this subject, it will not be listed separately.

**APEX DYNAMICS, INC.**  
**Statement of Operating Revenue**  
**2023**

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Unit</u>	<u>Quantity</u>	<u>Amount</u>
Gearbox	SET	176,549	\$ 1,961,717
Others	SET	104,320	<u>170,963</u>
Total			<u>2,132,680</u>
Sales return and Sales discount			<u>(434)</u>
Net operating revenue			<u><u>\$ 2,132,246</u></u>

**APEX DYNAMICS, INC.**  
**Summary of Cost of Goods Sold**  
**2023**

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw material	
Raw material, January 1	\$ 248,725
Add: Purchase	424,337
Less: Raw material, December 31	(225,208)
Inventory loss of raw materials	(15)
Transfer into expense	<u>(1,567)</u>
Materials, January 1	446,272
Direct labor	289,140
Manufacturing expense	<u>544,416</u>
Work in process	1,279,828
Add: Work in process, January 1	490,359
Less: Work in process, December 31	<u>(395,167)</u>
Cost of Semi-finished product	1,375,020
Add: Semi-finished product, January 1	822,465
Purchase	259
Less: Semi-finished product, December 31	<u>(1,108,339)</u>
Cost of finished goods	1,089,405
Add: Finished goods, January 1	74,044
Less: Finished goods, December 31	(99,847)
Inventory loss on finished goods	(781)
Transfer into expense	<u>1,438</u>
Cost of goods sold	<u>1,064,259</u>
Revenue from sales of scraps	(17,024)
Loss from price loss of inventory	(4,406)
Obsolete inventory	<u>796</u>
Cost of goods sold	<u><u>\$ 1,043,625</u></u>

**APEX DYNAMICS, INC.**  
**Statement of Marketing, Management**  
**and Research Expenses**  
**2023**

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Promotional Expenses</u>	<u>Administrative Expenses</u>	<u>Research and Development Costs</u>
Salary expenses	\$ 5,622	45,451	21,943
Utilities expenses	228	36,306	1,298
Insurance expenses	560	5,333	2,108
Entertainment expenses	2,457	1,243	-
Depreciation expenses	336	57,571	2,298
Packing expenses	18,811	-	-
Others (Note)	<u>2,648</u>	<u>45,355</u>	<u>4,320</u>
	<u><b>\$ 30,662</b></u>	<u><b>191,259</b></u>	<u><b>31,967</b></u>

Note : If the individual amount does not reach 5% of the total amount of this subject, it will not be listed separately.