

APEX DYNAMICS, INC. and Subsidiaries

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

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Declaration

The company's 2023 fiscal year (January 1 to December 31, 2023) in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", companies that should be included in the preparation of the consolidated financial statements of affiliated companies, it is the same as Article 10 of the International Financial Reporting Standards recognized by the Financial Supervision Commission: "Should be included in the preparation of the parent company's consolidated financial report", and the relevant information that should be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the consolidated financial reports of the parent company and subsidiaries, so the consolidated financial statements of related companies will not be prepared.

Hereby declare.

Company Name: APEX DYNAMICS, INC.

President: Chang, Chung-Hsing

Date: February 23, 2024

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of APEX Company:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to Note.4 (13) "Revenue" and Note.6 (21) "Revenue from contracts with customers" to the consolidated financial statements.

Description of key audit matter:

APEX DYNAMICS, INC. and its subsidiaries sell 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 Company 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 consolidated Company.

- 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 consolidated financial statements Note.4 (8)“inventory”, the assessment of accounting estimate and assumption uncertainty, refer to consolidated financial statements Note.5; the explanation of inventory assessment refers to consolidated financial statements Note.6 (5).

Description of key audit matter:

The Group’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 Group’ 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 Group; 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.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If the auditor believes that there is significant uncertainty regarding these events or circumstances, they must alert users of the consolidated financial statements in the audit report to pay attention to the relevant disclosures in the consolidated financial statements, or amend the audit opinion if these disclosures are deemed inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation (Include relevant notes), structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 23, 2024

Notes to Readers

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

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

APEX DYNAMICS, INC. and Subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022			Liabilities and Equity	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (Note.6(1))	\$ 4,117,336	38	2,454,539	22	2130	Current contract liabilities (Note.6 (21))	\$ 27,680	-	31,149	-
1110 Current financial assets at fair value through profit or loss (Note.6(2))	187	-	127	-	2170	Accounts payable	67,764	1	111,751	1
1150 Notes receivable, net (Note.6(3))	2,294	-	1,985	-	2200	Other payables	129,894	1	159,014	2
1170 Accounts receivable, net (Note.6(3))	207,632	2	313,578	3	2230	Current tax liabilities	208,431	2	254,064	2
1180 Accounts receivable due from related parties, net (Notes.6(3) and 7)	23,140	-	65,813	1	2280	Current lease liabilities (Note.6(14))	31,978	-	51,293	1
1200 Other receivables, net (Note.6(4))	36,176	-	18,006	-	2300	Other Current Liabilities (Note.6 (12)(15))	<u>7,192</u>	-	<u>6,156</u>	-
1220 Current tax assets	1,238	-	4,819	-		Total Current Liabilities	<u>472,939</u>	<u>4</u>	<u>613,427</u>	<u>6</u>
130X Inventory(Note.6(5))	1,659,230	15	1,461,473	13		Non-Current Liabilities:				
1410 Prepayments (Note.6(6))	9,049	-	11,578	-	2570	Deferred tax liabilities (Note.6(17))	-	-	365	-
1476 Other current financial assets (Note.6(10) and 8)	498,012	5	2,082,414	19	2580	Non-current lease liabilities (Note.6(14))	547,081	5	579,056	5
1479 Other current assets, others (Note.6(10))	<u>34</u>	-	<u>281</u>	-	2630	Long-term deferred revenue (Note.6(15))	5,377	-	5,749	-
Total current assets	<u>6,554,328</u>	<u>60</u>	<u>6,414,613</u>	<u>58</u>	2645	Guarantee deposits received (Note.6(12))	<u>2,077</u>	-	<u>228</u>	-
Non-current assets:						Total Non-Current Liabilities	<u>554,535</u>	<u>5</u>	<u>585,398</u>	<u>5</u>
1600 Property, plant and equipment (Note.6(7) 8 and 9)	3,516,988	33	3,706,923	34		Total Liabilities	<u>1,027,474</u>	<u>9</u>	<u>1,198,825</u>	<u>11</u>
1755 Right-of-use asset (Note.6(8))	545,877	5	582,888	6		Equity-Parent company (Note.6(18))				
1780 Intangible assets (Note.6(9))	223,739	2	224,184	2	3100	Capital stock	801,714	7	801,714	7
1840 Deferred tax assets (Note.6(17))	15,393	-	15,064	-	3200	Capital surplus	1,364,285	13	1,524,628	14
1920 Guarantee deposits paid (Note.6(10))	2,019	-	2,019	-	3300	Retained earnings	<u>7,690,910</u>	<u>71</u>	<u>7,459,124</u>	<u>68</u>
1990 Other non-current assets, others (Note.6 (10))	<u>26,039</u>	-	<u>38,600</u>	-		Total equity	<u>9,856,909</u>	<u>91</u>	<u>9,785,466</u>	<u>89</u>
Total Non-current assets	<u>4,330,055</u>	<u>40</u>	<u>4,569,678</u>	<u>42</u>		Total Liabilities and Equity	<u>\$ 10,884,383</u>	<u>100</u>	<u>10,984,291</u>	<u>100</u>
Total assets	<u>\$ 10,884,383</u>	<u>100</u>	<u>10,984,291</u>	<u>100</u>						

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

APEX DYNAMICS, INC. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note.6(21) and 7)	\$ 2,686,956	100	3,429,784	100
5000	Operating costs (Note.6(5) (7) (8) (14) (16) (19) (22))	<u>1,195,994</u>	<u>45</u>	<u>1,689,202</u>	<u>49</u>
	Gross Profit	<u>1,490,962</u>	<u>55</u>	<u>1,740,582</u>	<u>51</u>
	Operating Expense (Note.6(7) (8) (9) (14) (16) (19) (22) and 7):				
6100	Selling expenses	30,662	1	37,908	1
6200	Administrative expenses	522,568	19	505,424	15
6300	Research and development expenses	<u>31,967</u>	<u>1</u>	<u>43,063</u>	<u>1</u>
		<u>585,197</u>	<u>21</u>	<u>586,395</u>	<u>17</u>
	Net operating income	<u>905,765</u>	<u>34</u>	<u>1,154,187</u>	<u>34</u>
	Non-operating revenue and expenses (Note.6(23)(24)):				
7100	Interest income	153,428	6	46,471	1
7010	Other income	6,021	-	1,777	-
7020	Other gains and losses, net	33,757	1	198,874	6
7050	Finance costs, net (Note.6(14))	<u>(6,431)</u>	<u>-</u>	<u>(11,110)</u>	<u>-</u>
		<u>186,775</u>	<u>7</u>	<u>236,012</u>	<u>7</u>
7900	Profit before tax	1,092,540	41	1,390,199	41
7950	Total tax expense (Note.6(17))	<u>219,383</u>	<u>8</u>	<u>266,105</u>	<u>8</u>
	Profit	<u>873,157</u>	<u>33</u>	<u>1,124,094</u>	<u>33</u>
8300	Other comprehensive income, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 873,157</u>	<u>33</u>	<u>1,124,094</u>	<u>33</u>
	Total comprehensive income belongs to:				
	Parent company, owner	\$ 873,157	33	1,124,094	33
	Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 873,157</u>	<u>33</u>	<u>1,124,094</u>	<u>33</u>
	Total comprehensive profit and loss belongs to:				
	Parent company, owner	\$ 873,157	33	1,124,094	33
	Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 873,157</u>	<u>33</u>	<u>1,124,094</u>	<u>33</u>
	Earnings per share (Note.6(20))				
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 consolidated financial statements.

APEX DYNAMICS, INC. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	Ownership interest - Attributable to the parent company					
			Retained earnings			Total Equity
	Share capital	Additional paid-in capital	Legal reserve	Undistributed earnings	Total	
Balance on January 1, 2022	\$ 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
Balance on December 31, 2022	\$ 801,714	1,524,628	869,843	6,589,281	7,459,124	9,785,466
Balance on January 1, 2023	\$ 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	8,332,281	10,658,623
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)
Balance on December 31, 2023	\$ 801,714	1,364,285	982,252	6,708,658	7,690,910	9,856,909

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

APEX DYNAMICS, INC. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Profit before tax	\$ 1,092,540	1,390,199
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	309,115	365,144
Amortization expense	867	735
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(60)	1,277
Interest expense	6,431	11,110
Interest income	(153,428)	(46,471)
Dividend income	(11)	(11)
Cost of share-based payment payable	-	9,102
Gains on disposal of property, plant and equipment	(1,050)	(11)
Total adjustments to reconcile profit (loss)	<u>161,864</u>	<u>340,875</u>
Changes in operating assets and liabilities:		
Changes in operating assets		
Decrease (increase) in notes receivable	(309)	5,694
Decrease (increase) in accounts receivable	105,946	(45,588)
Decrease (increase) in accounts receivable due from related parties	42,673	12,903
Decrease (increase) in other receivable	(21)	(1,071)
Adjustments for decrease (increase) in inventories	(197,757)	(28,945)
Decrease (increase) in prepayments	2,431	(1,648)
Adjustments for decrease (increase) in other current assets	247	(32)
Decrease (increase) in other finance assets	(6,008)	(6)
Total change in operating assets	<u>(52,798)</u>	<u>(58,693)</u>
Total changes in operating liabilities		
Increase (decrease) in contract liabilities	(3,469)	5,892
Increase (decrease) in accounts payable	(43,987)	32,518
Increase (decrease) in other payables	(19,625)	42,254
Adjustments for increase (decrease) in other current liabilities	664	82
Total changes in operating liabilities	<u>(66,417)</u>	<u>80,746</u>
Total changes in operating assets and liabilities	<u>(119,215)</u>	<u>22,053</u>
Total adjustments	<u>42,649</u>	<u>362,928</u>
Cash inflow (outflow) generated from operations	1,135,189	1,753,127
Interest received	135,279	43,459
Dividends received	11	11
Interest paid	(6,431)	(11,681)
Income taxes refund (paid)	(262,129)	(204,843)
Net cash flows from operating activities	<u>1,001,919</u>	<u>1,580,073</u>
Cash flows from Investing Activities		
Proceeds from disposal of financial assets at fair value through profit or loss	-	61,293
Acquisition of property, plant and equipment	(68,681)	(125,790)
Proceeds from disposal of property, plant and equipment	1,300	11
Increase in refundable deposits	-	(59)
Acquisition of intangible assets	(324)	(801)
Decrease in other financial assets	1,590,410	790,579
Increase in other non-current assets	(10,665)	(34,049)
Cash provided by (used in) investing activities	<u>1,512,040</u>	<u>691,184</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	180,000	328,000
Decrease in short-term loans	(180,000)	(1,939,000)
Proceeds from long-term debt	-	44,955
Repayment of long-term loans	-	(1,064,100)
Increase in guarantee deposits	1,849	-
Payments of lease liabilities	(51,297)	(20,807)
Cash dividends paid	(801,714)	(583,427)
Proceeds from issuing shares	-	1,504,954
Cash provided by (used in) investing activities	<u>(851,162)</u>	<u>(1,729,425)</u>
Net increase in cash and cash equivalents	1,662,797	541,832
Cash and cash equivalents at beginning of period	2,454,539	1,912,707
Cash and cash equivalents at end of period	<u>\$ 4,117,336</u>	<u>2,454,539</u>

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

APEX DYNAMICS, INC. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. 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 consolidated company are the manufacture of mechanical transmission components such as precision gearbox, mechanical drive system accessories and the star rated hotel.

The main business of the company is the manufacturing of mechanical transmission components such as Gearbox, Rack and Pinion. 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 and revised standards and interpretations are 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 consolidated financial statements of the merged company since May 23, 2023, and has not had a significant impact on the consolidated financial statements.

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

(2) The impact of not yet adopting the International Financial Reporting Standards are 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 and subsidiaries expects that the following other unrecognized newly issued and revised standards will not have a significant impact on consolidated 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

This consolidated financial report is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, Financial Supervision Commission, International Accounting Standards; compiled according to the above specification.

(2) Basis of preparation

A. Measurement basis

Except for financial assets measured at fair value through profit or loss, which are measured at fair value, the consolidated financial statements are prepared on the basis of historical cost.

B. Functional currency and Presentation currency

Each entity of the consolidated company uses the currency of the primary economic environment in which it operates as its functional currency. This consolidated financial report is expressed in New Taiwan dollars, which is the functional currency of the Company. All financial information expressed in New Taiwan dollars is in thousands of New Taiwan dollars.

(3) Consolidated basis

A. Consolidated Financial Reporting Principles

The entities for the preparation of consolidated financial reports include the Company and entities controlled by the Company (subsidiaries). The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity, from the date when control is obtained over the subsidiary, its financial report shall be included in the consolidated financial report until the date when control is lost.

Transactions, balances and any unrealized gains and losses between the consolidated companies have been fully eliminated when preparing the consolidated financial report. The total comprehensive profit and loss of the subsidiary is attributable to the owners and non-controlling interests of the company respectively, then, this is the case even if the non-controlling interest thus becomes a loss balance.

Appropriate adjustments have been made to the subsidiary's financial statements so that its accounting policies are consistent with those used by the combined company.

Changes in the ownership interests of subsidiaries by the Consolidated Company that do not lead to the loss of control over the subsidiaries shall be treated as equity transactions with the owners. The difference between the non-controlling interest adjustment and the fair value of the consideration paid or received is recognized directly in equity and attributable to the owners of the Company.

B. Subsidiaries included in Consolidated Financial Reports

Subsidiaries included in this consolidated financial report include:

Investor company name	Subsidiary name	Industry	Shareholding ratio	
			December 31, 2023	December 31, 2022
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Hotel	100%	100%

C. Subsidiaries not included in the consolidated financial report: None.

(4) Foreign currency

Foreign currency transactions are converted into the functional currency at the exchange rate on the transaction date. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items in foreign currencies are converted into functional currency at the exchange rate on that day. Non-monetary items in foreign currencies measured at fair value are converted into functional currency at the exchange rate on the day when the fair value is measured. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate on the transaction date.

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

(5) Classification criteria for distinguishing current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

- A. Expect to realize the asset during its normal business cycle, or intends to sell or consume it
- B. The asset is held primarily for trading purposes
- C. The asset is expected to be realized within twelve months of the reporting period, or
- D. The asset is cash or a cash equivalent, unless there are other restrictions on exchanging the asset or using it to settle liabilities at least twelve months after the reporting period

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities:

- A. The liability is expected to be settled during the normal business cycle
- B. The liability is held primarily for trading purposes
- C. The liability is expected to be due within twelve months after the reporting period, or
- D. Liabilities for which there is no unconditional right to defer settlement for at least twelve months after the reporting period. The terms of the liability, which may, at the option of the counterparty, result in its liquidation through the issuance of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term, highly liquid investments that can be converted into fixed amounts of cash at any time and have an insignificant risk of value change. Time deposits that meet the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are listed in the cash equivalent.

(7) Financial tool

Accounts receivable and debt securities issued are initially recognized as they arise. All other financial assets and financial liabilities are recognized initially when the combined company becomes a party to the contractual terms of the financial instrument. Financial assets not measured at fair value through profit or loss (other than trade receivables that do not contain significant financial components), or financial liabilities are originally measured at fair value plus transaction costs directly attributable to the acquisition or issue. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

A. Financial assets

If the purchase or sale of financial assets conforms to customary transactions, the Consolidated Company shall adopt the accounting treatment on the transaction date for all purchases and sales of financial assets classified in the same way.

During initial recognition, financial assets are classified into: financial assets measured at cost after amortization and financial assets measured at fair value through profit or loss. Only when a Consolidated Company changes its business model for managing financial assets, it will reclassify all affected financial assets from the first day of the next reporting period.

(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.

The accumulative amortization calculated by the effective interest method is subsequently calculated by adding or subtracting the original recognized amount of these assets, and adjust the amortized cost measure for any allowance for losses. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit or loss. When delisting, the gain or loss 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, financial assets held for trading purposes and managed on a fair value basis and whose performance is evaluated.) When the Consolidated Company was originally recognized, in order to eliminate or significantly reduce the improper accounting ratio, financial assets that meet the criteria for measurement at amortized cost or at fair value through other comprehensive income may be irrevocably designated as financial assets at fair value through profit or loss.

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

Consolidated Company's expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, deposits and other financial assets, etc.) and contract assets An allowance for loss is recognized.

The following financial assets are measured according to the expected credit loss amount of 12 months, and the rest are measured according to the expected credit loss amount 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 (is 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.

In determining whether credit risk has increased significantly since original recognition, the Consolidated Company considers reasonable and supportable information (obtainable without undue cost or effort); include qualitative and quantitative information, and analysis based on the combined company's historical experience, credit evaluation and forward-looking information.

If contractual payments are more than 90 days past due, the merged company assumes that the credit risk of the financial asset has increased significantly.

The Consolidated Company considers a financial asset in default if the contractual payment is more than 120 days past due, or when the borrower is unlikely to fulfill its credit obligations to pay the full amount. 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 combined 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 at the present value of all cash shortfalls; it is the difference between the cash flow that the merging company can receive according to the contract and the cash flow that the merging company expects to receive. Expected credit losses are discounted at the financial asset's effective interest rate.

The Consolidated 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. The amount of the provision or reversal of the provision for loss is recognized in profit or loss. When the Consolidated Company cannot reasonably expect to recover all or part of the financial assets, it will directly reduce the total book value of its financial assets. For company, the Consolidated Company analyzes the timing and amount of write-offs individually on the basis of whether it is reasonably expected to be recoverable. The

Consolidated Company does not expect a material reversal of the amount written off. However, written-off financial assets are still enforceable to comply with the Consolidated Company's procedures for recovering past due amounts.

(d) Delisting of financial assets

The Consolidated Company only terminates its contractual rights to the cash flows from the asset, or the financial asset has been transferred 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 merged company enters into a transaction to transfer financial assets, if it retains all or almost all the risks and rewards of ownership of the transferred assets, it will continue to be recognized on the Balance Sheet

B. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equity

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

(b) Equity transaction

An equity instrument is any contract that honors a Consolidated Company's residual interest in assets less all of its liabilities. Equity instruments issued by the Consolidated Company are recognized at the amount obtained after deducting 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 recognize the surplus or loss arising from the transaction as additional paid-in capital 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 associated net gain and loss, including any interest expense, which is 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

A Consolidated Company delists financial liabilities when contractual obligations are 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 are set off only if the merging company currently has a legally enforceable right to offset, when there is an intention to deliver on a net basis or to realize assets and pay off liabilities at the same time, they shall be offset and expressed on the balance sheet as a net amount.

(8) Inventory

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

Net realisable 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.

(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 to the extent that it is probable that future economic benefits will flow to the combined company.

C. Depreciation

Depreciation is calculated as the cost of the asset less its salvage value, and adopt the straight-line method to recognize it as profit or loss within the estimated service life of each component. 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 Consolidated Company reviews the depreciation method, useful life and salvage value on each reporting date, and makes appropriate adjustments when necessary.

(10) Lease

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 to extend or terminate, and evaluated changes the assessment of the lease period.
- (e) Modify of the subject matter, scope or 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 Consolidated 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 short-term leasing of office equipment and leasing of low-value assets, 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 Consolidated 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 Consolidated 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

Goodwill arising on the acquisition of a subsidiary is measured at cost less accumulated impairment losses. 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company mainly manufactures precision gearbox and Mechanical Drive System Components Accessories. The Consolidated 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 Consolidated Company recognizes accounts receivable when the control of the goods is transferred, because the merging company has the unconditional right to receive the consideration at that point in time.

B. Providing services

The Consolidated Company provides corporate room and food service, when the labor service is performed by the enterprise, the customer benefits at the same time, and others do not need to re-perform the completed work, and the relevant income is recognized during the financial reporting period of the labor service. Estimates of revenue, cost and degree of completion will be revised if circumstances change, the resulting increase or decrease in the period in which management becomes aware of changed circumstances and the revision is reflected in profit or loss.

Under the fixed price contract, the customer pays a fixed amount according to the agreed schedule. When the service provided exceeds the payment, it is recognized as a contract asset; if the payment exceeds the service provided, it is recognized as a contract liability.

C. Financial Composition

The Consolidated 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 does not exceed one year. Therefore, the consolidated company does not adjust the time value of money of the transaction price.

(14) Government Subsidy

When the Consolidated 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 Consolidated 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 temporary differences arising 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

An operating segment is that part of a Consolidated Company that is engaged in activities that may earn revenue and incur expenses, including those associated with transactions between other parts of the Consolidated Company.

The operating results of all operating divisions are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about allocating resources to the division and evaluating its performance. Separate financial information is available for each operating segment.

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 Consolidated Company evaluates the amount of inventory on the reporting date due to normal wear and tear, obsolescence or no market value, and reduced 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	\$ 1,021	1,027
Demand deposit	145,527	763,812
Time deposit	<u>3,970,788</u>	<u>1,689,700</u>
Cash and cash equivalents listed in the cash flow statement	<u>\$ 4,117,336</u>	<u>2,454,539</u>

Please refer to Note.6 (10) for the certificate of deposit of the merged company for more than three months.

Please refer to Note.6 (24) for the disclosure of the Consolidated Company's disclosure of interest rate risk and sensitivity analysis on financial assets and liabilities.

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

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

Please refer to Note.6 (23) for the amount recognized in profit or loss for remeasurement at fair value.

For market risk information, please refer to Note 6 (25).

(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	\$ 207,647	313,593
Accounts receivable-Related parties-Amortized cost measure	23,140	65,813
Less: Allowance for losses	<u>(15)</u>	<u>(15)</u>
	<u>\$ 230,772</u>	<u>379,391</u>

The Consolidated 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 Consolidated Company's Notes receivable and Accounts receivable (including related parties) is as follows:

	December 31, 2023		
	<u>Notes receivable and Accounts receivable Amount</u>	<u>Weighted average expected credit loss rate</u>	<u>Duration of allowance expected credit losses</u>
Not overdue	<u>\$ 233,283</u>	<u>0.093%</u>	<u>217</u>
	December 31, 2022		
	<u>Notes receivable and Accounts receivable Amount</u>	<u>Weighted average expected credit loss rate</u>	<u>Duration of allowance expected credit losses</u>
Not overdue	<u>\$ 381,593</u>	<u>0.057%</u>	<u>217</u>

The Consolidated Company's Notes receivable and Accounts receivable allowance loss changes table is as follows:

	2023	2022
Closing balance (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 (24) for the credit and exchange rate risks of the Company's Notes receivable and Accounts receivable (including related parties).

(4) Other receivables

	December 31, 2023	December 31, 2022
Income tax refund receivable	\$ 3,453	5,923
Interest receivable	30,110	11,961
Others	<u>2,613</u>	<u>122</u>
	<u>\$ 36,176</u>	<u>18,006</u>

For the remaining credit risk information, please refer to Note.6 (24)

(5) Inventory

	December 31, 2023	December 31, 2022
Commodity	\$ 107	198
Raw material	198,332	220,434
Semi-finished product	986,132	709,571
Work in Process	386,665	469,664
Manufactures	<u>87,994</u>	<u>61,606</u>
	<u>\$ 1,659,230</u>	<u>1,461,473</u>

The cost of goods sold is detailed as follows:

	2023	2022
Inventory sale transfer	\$ 1,064,259	1,570,704
Room, food and beverage costs	152,369	159,069
Inventory price recovery benefit	(4,406)	(31,067)
Scrap income	(17,024)	(12,974)
Inventory loss	-	472
Others	<u>796</u>	<u>2,998</u>
	<u>\$ 1,689,202</u>	<u>1,689,202</u>

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

(6) Prepayments

The details of the Consolidated Company's prepayment are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Advance payment	\$ 3,410	993
Office supplies	1,724	2,080
Prepaid expenses	<u>3,915</u>	<u>8,505</u>
	<u>\$ 9,049</u>	<u>11,578</u>

(7) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Mechanical equipment</u>	<u>Other facilities</u>	<u>Total</u>
Cost or deemed cost					
Balance on January 1, 2023	\$ 201,218	4,892,928	3,077,371	604,356	8,775,873
Additions	-	25,825	20,513	12,848	59,186
Disposals	-	(3,201)	(20,744)	(854)	(24,799)
Reclassifications	-	8,004	11,313	3,909	23,226
Balance on December 31, 2023	<u>\$ 201,218</u>	<u>4,923,556</u>	<u>3,088,453</u>	<u>620,259</u>	<u>8,833,486</u>
Balance on January 1, 2022	\$ 201,218	4,868,061	2,981,250	501,838	8,552,367
Additions	-	16,946	86,571	17,958	121,475
Disposals	-	-	(1,186)	(219)	(1,405)
Reclassifications	-	7,921	10,736	84,779	103,436
Balance on December 31, 2022	<u>\$ 201,218</u>	<u>4,892,928</u>	<u>3,077,371</u>	<u>604,356</u>	<u>8,775,873</u>
Depreciation					
Balance on January 1, 2023	\$ -	1,855,793	2,765,291	447,866	5,068,950
Depreciation	-	142,773	100,202	29,122	272,097
Disposals	-	(3,201)	(20,494)	(854)	(24,549)
Balance on December 31, 2023	<u>\$ -</u>	<u>1,995,365</u>	<u>2,844,999</u>	<u>476,134</u>	<u>5,316,498</u>
Balance on January 1, 2022	\$ -	1,674,343	2,641,866	425,868	4,742,077
Depreciation	-	181,450	124,611	22,217	328,278
Disposals	-	-	(1,186)	(219)	(1,405)
Balance on December 31, 2022	<u>\$ -</u>	<u>1,855,793</u>	<u>2,765,291</u>	<u>447,866</u>	<u>5,068,950</u>
Carrying amounts					
Balance on December 31, 2023	<u>\$ 201,218</u>	<u>2,928,191</u>	<u>243,454</u>	<u>144,125</u>	<u>3,516,988</u>
Balance on January 1, 2022	<u>\$ 201,218</u>	<u>3,193,718</u>	<u>339,384</u>	<u>75,970</u>	<u>3,810,290</u>
Balance on December 31, 2022	<u>\$ 201,218</u>	<u>3,037,135</u>	<u>312,080</u>	<u>156,490</u>	<u>3,706,923</u>

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

(8) Right of use asset

The cost and depreciation of the Consolidated Company's leased land, buildings and other equipment, etc., the details of the changes are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost			
Balance on January 1, 2023	\$ 728,746	958	729,704
Addition	<u>7</u>	<u>-</u>	<u>7</u>
Balance on December 31, 2023	<u>\$ 728,753</u>	<u>958</u>	<u>729,711</u>
Balance on January 1, 2022	\$ 727,792	-	727,792
Addition	<u>954</u>	<u>958</u>	<u>1,912</u>
Balance on December 31, 2022	<u>\$ 728,746</u>	<u>958</u>	<u>729,704</u>
Depreciation			
Balance on January 1, 2023	\$ 146,743	73	146,816
Depreciation	<u>36,797</u>	<u>221</u>	<u>37,018</u>
Balance on December 31, 2023	<u>\$ 183,540</u>	<u>294</u>	<u>183,834</u>
Balance on January 1, 2022	\$ 109,950	-	109,950
Depreciation	<u>36,793</u>	<u>73</u>	<u>36,866</u>
Balance on December 31, 2022	<u>\$ 146,743</u>	<u>73</u>	<u>146,816</u>
Book Value			
December 31, 2023	<u>\$ 545,213</u>	<u>664</u>	<u>545,877</u>
January 1, 2022	<u>\$ 617,842</u>	<u>-</u>	<u>617,842</u>
December 31, 2022	<u>\$ 582,003</u>	<u>885</u>	<u>582,888</u>

(9) Intangible Assets

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

	<u>Patent Right</u>	<u>Computer Software</u>	<u>Trademark Rights</u>	<u>Goodwill</u>	<u>Total</u>
Cost:					
Balance on January 1, 2023	\$ 2,829	26,110	162	221,348	250,449
Obtained separately	-	324	-	-	324
Reclassification	65	-	33	-	98
Balance on December 31, 2023	\$ 2,894	26,434	195	221,348	250,871
Balance on January 1, 2022	\$ 2,735	25,008	162	221,348	249,253
Obtained separately	16	785	-	-	801
Reclassification	78	317	-	-	395
Balance on December 31, 2022	\$ 2,829	26,110	162	221,348	250,449
Amortization:					
Balance on January 1, 2023	\$ 1,306	24,813	146	-	26,265
Amortization	148	707	12	-	867
Balance on December 31, 2023	\$ 1,454	25,520	158	-	27,132
Balance on January 1, 2022	\$ 1,129	24,271	130	-	25,530
Amortization	177	542	16	-	735
Balance on December 31, 2022	\$ 1,306	24,813	146	-	26,265
Book Value: :					
Balance on December 31, 2023	\$ 1,440	914	37	221,348	223,739
Balance on January 1, 2022	\$ 1,606	737	32	221,348	223,723
Balance on December 31, 2022	\$ 1,523	1,297	16	221,348	224,184

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	<u>\$ 867</u>	<u>735</u>

B. Goodwill Impairment Test

The Consolidated Company conducts an impairment assessment test on the goodwill on the books of the merged company at least once a year on the reporting date, the recoverable amount is calculated based on the unit's fair value minus disposal costs. These fair values less disposal costs are estimated based on discounted cash flows, and the fair value measurement is classified as Level 3 using significant unobservable inputs.

The discount rate is estimated based on the industry weighted average cost of capital, the discount rates for 2023 and 2022 are 5.29% and 4.71% respectively; the cash flow estimation is based on the five-year financial budget approved by the management, and in 2023 and 2022, the annual growth rate of 0%~5% will be extrapolated to the subsequent years. The values of the aforementioned key assumptions represent the management's assessment of the future trends of the relevant industries, while taking into account historical information from internal and external sources.

C. Guarantee

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current asset:		
Temporary payments	<u>\$ 34</u>	<u>281</u>
Other financial assets:		
Restricted deposit	\$ 18,435	20,845
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>\$ 498,012</u>	<u>2,082,414</u>
Other non-current assets:		
Prepayments for equipment	\$ 26,039	38,600
Guarantee deposits paid	<u>2,019</u>	<u>2,019</u>
	<u>\$ 28,058</u>	<u>40,619</u>

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

(11) Short-term loan

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unused quota	<u>\$ 4,600,000</u>	<u>4,600,000</u>
Interest rate range	<u>2.03%</u>	<u>0.71%~1.63%</u>

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

(12) Other current liabilities and other non-current liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current liabilities:		
Deferred revenue: current	\$ 386	404
Temporary receipts	2,881	3,018
Receipts under custody	3,342	2,734
Others	<u>583</u>	<u>-</u>
	<u>\$ 7,192</u>	<u>6,156</u>
Other non-current liabilities:		
Guarantee deposits received	<u>\$ 2,077</u>	<u>228</u>

(13) Proceeds from long-term debt

In 2022, the consolidated 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 (15). The consolidated company has fully repaid the low-interest loans of project by the end of March 2022.

(14) Lease liability

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current liabilities	<u>\$ 31,978</u>	<u>51,293</u>
Non-current liabilities	<u>\$ 547,081</u>	<u>579,056</u>

For maturity analysis, please refer to Note.6 (24) Financial Instruments.

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

	<u>2023</u>	<u>2022</u>
Lease liability - Interest expense	<u>\$ 6,412</u>	<u>6,748</u>
Expenses for short-term leases or low-value leases	<u>\$ 3,766</u>	<u>2,981</u>
Covid-19-Related Rent Concessions (Recognized as Other revenue)	<u>\$ -</u>	<u>1,894</u>

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

	<u>2023</u>	<u>2022</u>
Total amount - Lease - Cash outflow	<u>\$ 61,475</u>	<u>30,536</u>

A. Leasing of lands and buildings

The Consolidated 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 Consolidated 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.

(15) 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>\$ 5,763</u>	<u>6,153</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, and the subsidy income is recognized according to the use period 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.

(16) Employee benefits

The Consolidated 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 Consolidated Company's 2023 and 2022 pension expenses under the definite appropriation pension method are NT\$23,723 thousand and NT\$21,753 thousand respectively, which have been allocated to the Bureau of Labor Insurance.

(17) Income tax

A. Income tax expense

The income tax for 2023 and 2022 expense were as follows

	<u>2023</u>	<u>2022</u>
Current income tax expenses		
Current period incurred	\$ 205,281	253,114
Undistributed retained earnings	18,516	9,639
Investment tax credit	(1,377)	(4,193)
Prior years income tax adjustment	<u>(2,343)</u>	<u>(4,973)</u>
	<u>220,077</u>	<u>253,587</u>
Deferred tax expenses		
Origin and reversal of temporary difference	\$ 13,256	17,757
Changes in unrecognized temporary differences	<u>(13,950)</u>	<u>(5,239)</u>
	<u>(694)</u>	<u>12,518</u>
Income tax expense (Excluding income tax on profits from the sale of closed units)	<u>\$ 219,383</u>	<u>266,105</u>

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

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

	<u>2023</u>	<u>2022</u>
Profit before tax	<u>\$ 1,092,540</u>	<u>1,390,199</u>
Income tax calculated according to the domestic tax rate of the place where the Consolidated Company is located	\$ 218,508	278,040
Non-deductible expenses	596	11
Tax-free income	(2)	(36)
Unrecognized changes in temporary differences	(881)	(5,239)
Upfront Income Tax Overestimation	(2,343)	(4,973)
Levy-Unallocated Retained Earnings	18,516	9,639
Investment tax credit,	(1,930)	(11,592)
The impact of the tax burden adjusted in accordance with the tax law	(12)	255
Recognition of tax losses not recognized in prior period	<u>(13,069)</u>	<u>-</u>
Income tax expense	<u>\$ 219,383</u>	<u>266,105</u>

B. Deferred tax assets

(a) Unidentified deferred tax assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary difference	\$ 102,920	107,326
Tax loss	<u>66,847</u>	<u>94,514</u>
	<u>\$ 169,767</u>	<u>201,840</u>

Tax losses are regulated by the Income Tax Act, Losses for the previous ten years as approved by the tax collection agency can be deducted from the net profit of the current year, and then the income tax will be assessed. These items are not recognized as deferred tax assets, it is because the Consolidated Company is unlikely to have sufficient taxable income to use the temporary difference in the future.

As of December 31, 2023, the Consolidated Company has not yet recognized tax loss as deferred tax assets, and the deduction period is as follows:

Millennium VEE Hotel Taichung:

<u>Year of loss</u>	<u>Undeducted loss</u>	<u>Last year of deduction</u>
2014	119,816	2024
2015	49,120	2025
2016	7,881	2026
2018	14,799	2028
2019	5,865	2029
2020	63,061	2030
2021	68,768	2031
2022	4,924	2032
	<u><u>\$ 334,234</u></u>	

(b) Recognized deferred tax assets and liabilities

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

	<u>Unrealized Allowance for Inventory valuation and obsolescence loss</u>	<u>Unrealized Foreign Exchange Losses</u>	<u>Total</u>
Deferred tax assets:			
Balance on January 1, 2023	\$ 14,032	1,032	15,064
Debit - Recognize as profit or loss	<u>-</u>	<u>329</u>	<u>329</u>
Balance on December 31, 2023	<u><u>\$ 14,032</u></u>	<u><u>1,361</u></u>	<u><u>15,393</u></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><u>\$ 14,032</u></u>	<u><u>1,032</u></u>	<u><u>15,064</u></u>

	<u>Unrealized Foreign Exchange Gain</u>
Deferred tax liabilities:	
Balance on January 1, 2023	\$ 365
Credit- Recognized as profit or loss	<u>(365)</u>
Balance on December 31, 2023	<u><u>\$ -</u></u>
Balance on January 1, 2022	\$ -
Debit- Recognized as profit or loss	<u>365</u>
Balance on December 31, 2022	<u><u>\$ 365</u></u>

(c) Income tax verification situation

The income tax settlement declaration of the company and its domestic subsidiaries has been verified by the taxation authority as follows:

	<u>Approved year</u>
Parent company	2021
Millennium VEE Hotel Taichung:	2021

(18) 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 capital surplus 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 Additional Paid-In Capital 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 (Statutory surplus reserves)

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 (Earning Distribution)

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:

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

(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:

	2023	
	<u>Allotment ratio</u> NT\$	<u>Amount</u>
Dividends distributed to owners of common stock:		
Cash	\$ <u>10.00</u>	<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.

(19) 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, 2022:

The company has the following share-based payment transactions as of December 31, 2022:

	<u>Equity settled share</u>
	<u>Seasoned equity offering reserved for employee share purchase</u>
Grant date	2022.04.22
Giving amount	725,000 shares
Contract period	2022.04.22~2022.04.29
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 dividends	-
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 are from the date of grant to the end of payment, that risk-free rate is based on Taiwan government bonds.

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

(20) Earnings per share

	<u>2023</u>	<u>2022</u>
Basic earnings per share		
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>
Fully diluted earnings per share		
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>

(21) Revenue from customer contracts

A. Breakdown of revenue

	<u>2023</u>	<u>2022</u>
<u>Major regional markets</u>		
Asia	\$ 1,777,917	2,341,384
America	405,223	467,647
Europe	488,098	606,152
Other countries	<u>15,718</u>	<u>14,601</u>
	<u>\$ 2,686,956</u>	<u>3,429,784</u>
<u>Main Product/Service Line</u>		
Gearbox	\$ 1,961,424	2,690,447
Room and food service revenue	521,882	435,168
Others	<u>203,650</u>	<u>304,169</u>
	<u>\$ 2,686,956</u>	<u>3,429,784</u>

B. Contract balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities	<u>\$ 27,680</u>	<u>31,149</u>	<u>25,257</u>

The opening balance of contract liabilities on January 1, 2023 and 2022, the amounts recognized as revenue in 2023 and 2022 are NT\$23,517 thousand and NT\$19,417 thousand, respectively.

(22) 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.

(23) Non-operating revenue and expenses

A. Interest income

The details of the interest income of the Consolidated Company in 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Bank deposit-interest income	\$ 153,427	45,114
Bond investment-interest income	-	1,357
Other interest income	<u>1</u>	<u>-</u>
	<u>\$ 153,428</u>	<u>46,471</u>

B. Other income

The details of the other income of the Consolidated Company' in 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Government subsidy income	\$ 699	801
Rent income	5,311	965
Dividends income	<u>11</u>	<u>11</u>
	<u>\$ 6,021</u>	<u>1,777</u>

C. Other gains and loss

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

	<u>2023</u>	<u>2022</u>
Foreign currency exchange profits	\$ 8,747	175,723
Disposal of interests in property, plant and equipment	1,050	11
Loss of financial asset at fair value through profit or loss	60	(1,277)
Other profits	<u>23,900</u>	<u>24,417</u>
	<u><u>\$ 33,757</u></u>	<u><u>198,874</u></u>

D. Financial costs

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

	<u>2023</u>	<u>2022</u>
Interest expense-bank loan	\$ 10	4,362
Interest expense- interest rate implicit in the lease	6,412	6,748
Other financial expenses	<u>9</u>	<u>-</u>
	<u><u>\$ 6,431</u></u>	<u><u>11,110</u></u>

(24) 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, 42% and 56% 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 accounts receivable

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 (7) 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	within 1 year	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2023						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	\$ 5,763	5,763	386	325	869	4,183
Accounts payable	67,764	67,764	67,764	-	-	-
Other payables	129,894	129,894	129,894	-	-	-
lease liabilities (current and non-current)	579,059	645,950	38,041	30,032	90,811	487,066
Guarantee deposits received	<u>2,077</u>	<u>2,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,077</u>
	<u>\$ 784,557</u>	<u>851,448</u>	<u>236,085</u>	<u>30,357</u>	<u>91,680</u>	<u>493,326</u>
	Carry amount	Cash flow	within 1 year	1to 2 years	2 to 5 years	More than 5 years
December 31, 2022						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	\$ 6,153	6,153	404	404	882	4,463
Accounts payable	111,751	111,751	111,751	-	-	-
Other payables	159,014	159,014	159,014	-	-	-
lease liability (current and non-current)	630,349	703,651	57,704	38,041	90,004	517,902
Guarantee deposits received	<u>228</u>	<u>228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228</u>
	<u>\$ 907,495</u>	<u>980,797</u>	<u>328,873</u>	<u>38,445</u>	<u>90,886</u>	<u>522,593</u>

The Consolidated 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\$	\$ 94,390	30.705	2,898,245	59,645	30.710	1,831,698
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 company's monetary items The exchange rate risk of 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 New Taiwan 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\$17,006 thousand and NT\$10,413 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 consolidated company, the net foreign currency exchange (loss) gains (including realized and unrealized) in 2023 and 2022 are NT\$8,747 thousand and NT\$175,723 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 consolidated 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 consolidated 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			
		Fair value			
Carry Amount	First level	Second level	Third level	Total	
Financial assets measured at fair value					
Mandatory financial assets at fair value through profit or loss	\$ 187	187	-	-	187
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,117,336	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	233,066	-	-	-	-
Other receivables (Include related parties)	36,176	-	-	-	-
Guarantee deposits paid	2,019	-	-	-	-
Other financial assets-current	498,012	-	-	-	-
Total	\$ 4,886,796	187	-	-	187
Financial liabilities measured at amortized cost					
Accounts Payable	\$ 67,764	-	-	-	-
Other payables	129,894	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	5,763	-	-	-	-
Guarantee deposits received	2,077	-	-	-	-
Leased liabilities(current + non-current)	579,059	-	-	-	-
Total	\$ 784,557	-	-	-	-
		December 31, 2022			
		Fair value			
Carry amount	First level	Second level	Third level	Total	
Financial assets measured at fair value					
Mandatory financial assets at fair value through profit or loss	\$ 127	127	-	-	127
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,454,539	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	381,376	-	-	-	-
Other receivables	18,006	-	-	-	-
Guarantee deposits paid	2,019	-	-	-	-
Other financial assets-current	2,082,414	-	-	-	-
Total	\$ 4,938,481	127	-	-	127

Financial liabilities measured at amortized cost

Short- term debt	\$ -	-	-	-	-
Accounts payable	111,751	-	-	-	-
Other payables (Include related parties)	159,014	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	6,153	-	-	-	-
Guarantee deposits received	228	-	-	-	-
Leased liabilities(current + non-current)	<u>630,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 907,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (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.

(25) 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 consolidated financial statements.

B. Structure of risk management

The Consolidated 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 Consolidated 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 Consolidated 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

The consolidated company's policy stipulates that it can only provide financial guarantees to wholly-owned subsidiaries. On December 31, 2023 and 2022, the consolidated company did not provide any endorsement guarantee.

D. Liquidity risk

The consolidated company manages and maintains sufficient cash and cash equivalents to support the merged company's operations and mitigate the impact of cash flow fluctuations. The management of the consolidated company supervises the use of bank financing lines and ensures compliance with the terms of the loan contract.

The consolidated 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 consolidated company 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 Consolidated 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 Dollars (NTD). The main denominated currencies for these transactions are US Dollars, Euros and Chinese Yuan.

(b) Interest rate risk

The policy of the Consolidated Company is based on floating interest rate, therefore, 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.

(26) 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 reserves, 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	\$ 1,027,474	1,198,825
Less: cash and cash equivalents	<u>(4,117,336)</u>	<u>(2,454,539)</u>
Net debt	<u>\$ (3,089,862)</u>	<u>(1,255,714)</u>
Total equity	<u>\$ 9,856,909</u>	<u>9,785,466</u>
Total capital (Note)	<u>\$ 6,767,047</u>	<u>8,529,752</u>
Debt-to-equity ratio	<u>(45.66)%</u>	<u>(14.72)%</u>

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

(27) 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 leasing; please refer to Note.6 (8).

The reconciliation of liabilities from financing activities is as follows:

	January 1, 2023	Cash flow	Non-cash changes			December 31, 2023
			Increase in this period	Deferred revenue change	Lease payment change	
Lease liabilities (current + non-current)	<u>\$ 630,349</u>	<u>(51,297)</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>579,059</u>

	January 1, 2022	Cash flow	Non-cash changes			December 31, 2022
			Increase in this period	Deferred revenue change	Lease payment change	
Short-term loan	\$ 1,611,000	(1,611,000)	-	-	-	-
Long-term loan (Including deferred revenue and	1,025,871	(1,019,145)	-	(573)	-	6,153
Long-term loans due within one year)						
Lease liabilities (current + non-current)	<u>649,244</u>	<u>(20,807)</u>	<u>958</u>	<u>-</u>	<u>954</u>	<u>630,349</u>
Total liabilities from financing activities	<u>\$ 3,286,115</u>	<u>(2,650,952)</u>	<u>958</u>	<u>(573)</u>	<u>954</u>	<u>636,502</u>

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

During the period covered by this consolidated financial report, the related parties who had transactions with the Consolidated Company are as follows:

<u>Name of related party</u>	<u>Relationship with the Consolidated Company</u>
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 revenue**

Sale of Goods to Related Parties :

	<u>2023</u>	<u>2022</u>
Other related parties:	<u>\$ 253,815</u>	<u>473,210</u>

The selling price and sales conditions of the Consolidated 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 (accounts receivable – related parties)

The details of the Consolidated 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>

(3) Major management transaction

The remuneration of major management personnel includes:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 16,205	15,780
Separation benefits	216	216
Other long-term benefits	-	-
Termination benefits	-	-
Cash-settled share-based payment	-	546
	<u>\$ 16,421</u>	<u>16,542</u>

8. Pledged assets

The book value of the pledged assets provided by the Consolidated 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	\$ 2,879,656	2,944,170
Other financial asset-current	Issuance of meal coupons, accommodation and fitness membership fees, etc.	18,435	20,845
Other financial asset-current	Guarantee deposits	<u>6,577</u>	<u>569</u>
		<u>\$ 2,904,668</u>	<u>2,965,584</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>\$ 16,274</u>	<u>17,532</u>

(2) Contingent liabilities: None.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

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

By function By item	2023			2022		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	410,893	206,433	617,326	453,107	200,113	653,220
Labor and health insurance	44,013	21,473	65,486	36,512	20,534	57,046
Pension	14,657	9,066	23,723	13,376	8,377	21,753
Remuneration of directors	-	5,639	5,639	-	4,703	4,703
Other employee benefits	13,468	5,235	18,703	13,517	4,771	18,288
Depreciation	200,243	108,872	309,115	239,930	125,214	365,144
Amortization	-	867	867	-	735	735

13. Other disclosures:

(1) Information on significant transactions:

In 2023, in accordance with the provisions of the Financial Reporting Standards for Securities Issuers, the Consolidated 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 two parties	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 (Note 3)	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\$1,000

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\$1,000

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	Recovered amount	
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Subsidiary of APEX DYNAMICS, INC	499,000	- %	-	-	(Note.1)	-

Note 1: As of 22 February 2024.

Note 2: It has been written off in the consolidated financial report.

I. Engaging in derivatives transactions: None.

J. Business relationship and important transactions between parent company and subsidiary company:

Unit: NT\$1,000

NO.	Trader name	Transaction object	Relation	Transaction status			
				Subject	Amount	Transaction terms	Ratio to consolidated total operating income or total assets
0	APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	1	Other receivables -related parties.	499,000	Note.3	4.58%

Note.1 The way to fill in the serial number is as follows:

(a) 0 represents the parent company.

(b) Subsidiaries are numbered sequentially starting from the number 1 according to the company.

Note.2 The type of relationship with the trader is marked as follows:

(a) Parent company to subsidiary company.

(b) Subsidiary to parent company.

(c) Subsidiary to Subsidiary.

Note.3 The terms of the transaction with related parties shall be negotiated by both parties.

Note.4 It has been fully written off when preparing the consolidated financial report.

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

The Consolidated Company's reinvestment business information in 2023 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	Note.1

Note.1: It has been written off in the consolidated financial report.

(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:

(1) General information

The Consolidated Company has two reportable business departments, the precision machinery department and the restaurant and travel service department. The precision machinery segment is engaged in the production and sales of precision gearbox and automatic control equipment manufacturing. The catering service department is engaged in hotel housing service and catering business.

The reportable departments of the Consolidated Company are strategic business units that provide different products and services. Since each strategic business unit requires different technology and marketing strategies, it must be managed separately. Most of the business units were acquired separately, and the management team at the time of acquisition was retained.

(2) Information on departmental profit and loss, assets, liabilities, and their measurement basis and adjustments should be reported

The Consolidated Company uses the departmental after-tax profit and loss in the internal management report reviewed by the chief operating decision-maker as the basis for management resource allocation and performance evaluation. In addition, all reportable segment profit and loss include significant non-cash items other than depreciation and amortization. The reported amounts are consistent with the reports used by operating decision makers.

The accounting policies of the operating departments are the same as the summary of important accounting policies stated in Note.4. The Consolidated Company regards sales and transfers between departments as transactions with third parties and is measured at current market prices.

The operating department information and adjustments of the merged company are as follows:

	2023			
	Precision machinery	Hotel and Restaurant Service	Adjustments and write-offs	Other
Income:				
Revenue from external customers	\$ 2,132,246	554,710	-	2,686,956
Segment revenue	-	2,324	(2,324)	-
Interest income	<u>158,610</u>	<u>245</u>	<u>(5,427)</u>	<u>153,428</u>
Total income	<u>\$ 2,290,856</u>	<u>557,279</u>	<u>(7,751)</u>	<u>2,840,384</u>
Interest expense	<u>\$ 1,333</u>	<u>10,525</u>	<u>(5,427)</u>	<u>6,431</u>
Depreciation and amortization	<u>\$ 234,160</u>	<u>75,822</u>	<u>-</u>	<u>309,982</u>
Investment loss accounted for using equity method	<u>\$ 65,354</u>	<u>-</u>	<u>(65,354)</u>	<u>-</u>
Reportable segment profit or loss	<u>\$ 807,803</u>	<u>65,354</u>	<u>-</u>	<u>873,157</u>
Investments accounted for using equity method	<u>\$ 844,916</u>	<u>-</u>	<u>(844,916)</u>	<u>-</u>
Non-current assets-Capital Expenditure	<u>\$ 55,911</u>	<u>23,759</u>	<u>-</u>	<u>79,670</u>

	2022			
	Precision machinery	Hotel and Restaurant Service	Adjustments and write-offs	Other
Income:				
Revenue from external customers	\$ 2,966,054	463,730	-	3,429,784
Segment revenue	-	407	(407)	-
Interest income	<u>51,102</u>	<u>63</u>	<u>(4,694)</u>	<u>46,471</u>
Total income	<u>\$ 3,017,156</u>	<u>464,200</u>	<u>(5,101)</u>	<u>3,476,255</u>
Interest expense	<u>\$ 5,842</u>	<u>9,962</u>	<u>(4,694)</u>	<u>11,110</u>
Depreciation and amortization	<u>\$ 255,934</u>	<u>109,945</u>	<u>-</u>	<u>365,879</u>
Investment loss accounted for using equity method	<u>\$ (4,726)</u>	<u>-</u>	<u>4,726</u>	<u>-</u>
Reportable segment profit or loss	<u>\$ 1,128,820</u>	<u>(4,726)</u>	<u>-</u>	<u>1,124,094</u>
Investments accounted for using equity method	<u>\$ 779,562</u>	<u>-</u>	<u>(779,562)</u>	<u>-</u>
Non-current assets-Capital Expenditure	<u>\$ 146,843</u>	<u>13,797</u>	<u>-</u>	<u>160,640</u>

The major adjustment items of the above-mentioned reportable departmental information are explained as follows:

The total reportable segment revenues for 2023 and 2022 are NT\$2,324 thousand and NT\$407 thousand, respectively.

(3) Product information

Consolidated Company's income from external customers is as follows:

<u>Product and service name</u>	<u>2023</u>	<u>2022</u>
Gearbox	\$ 1,961,424	2,690,447
Hotel and Restaurant revenue	521,882	435,168
Others	<u>203,650</u>	<u>304,169</u>
Total	<u>\$ 2,686,956</u>	<u>3,429,784</u>

(4) Area information

The geographical information of Consolidated Company is as follows, in which the income is classified based on the geographical location of customers, Non-current assets are classified according to the geographical location of the assets.

<u>Area</u>	<u>2023</u>	<u>2022</u>
Income from external clients:		
Asia	\$ 1,777,917	2,341,384
America	405,223	467,647
Europe	488,098	606,152
Other	15,718	14,601
Total	<u>\$ 2,686,956</u>	<u>3,429,784</u>
<u>Area</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current assets:		
Asia	<u>\$ 4,312,643</u>	<u>4,552,595</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets; it does not include financial instrument, Guarantee deposits paid, deferred income tax assets, assets of post-employment benefits and rights arising from insurance contracts.

(5) Main customer information

	<u>2023</u>	<u>2022</u>
Sales revenue - Company A	<u>\$ 253,815</u>	<u>473,210</u>