



APEX DYNAMICS, INC.

Stock Code : 4583

Information declaration website : <http://mops.twse.com.tw>

Corporate website : <http://www.apexdyna.com>

ANNUAL REPORT 2023

April 19, 2024 Published

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Title: General Manager

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Deputy Spokesperson

Name: Hung, Hsiu-Min

Title: Accounting Supervisor

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2. Headquarters, Branches and Plant

Name	Address	Tel
Headquarters	Central Taiwan Science Park No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City	886-4-2465-0219
Factory	1 Central Taiwan Science Park No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City	
	2 Central Taiwan Science Park No. 10, Keyuan 2nd Rd., Xitun Dist., Taichung City	
	3 Central Taiwan Science Park No. 18, Houke S. Rd., Houli Dist., Taichung City	
Branches	None	

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4. Auditors

Accountant Name: Chang, Tsu-Hsin Chen, Cheng-Hsueh

Accounting Firm: KPMG Taiwan

Address : Taipei 101 Tower, 68F, No.7, Sec. 5, Xinyi Road, Taipei City , Taiwan

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5. Overseas Securities Exchange

None

6. Corporate Website

<http://www.apexdyna.com>

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2023 Parent Company Only Financial Statements and Audit Report by Accountants 188

1. Letter to shareholders

1.1. 2023 Annual Business Report

1.1.1. Business plan implementation results

APEX DYNAMICS, INC.'s 2023 consolidated operating revenue decreased by 21.66%, net income before tax decreased by 21.41%, net income after tax decreased by 22.32%, and EPS after tax was NT\$ 10.89, an decreased of 24.74%, as shown in the following table:

Consolidated of APEX DYNAMICS, INC.

Unit: NT\$1000 ; %

Item	2022	2023	Increase (decrease) ratio
Operating revenue	3,429,784	2,686,956	(21.66)
Gross profit	1,740,582	1,490,962	(14.34)
Operating income	1,154,187	905,765	(21.52)
Net Income before tax	1,390,199	1,092,540	(21.41)
Net income	1,124,094	873,157	(22.32)

APEX DYNAMICS, INC. (Machinery Industry)

Unit: NT\$1000 ; %

Item	2022	2023	Increase (decrease) ratio
Operating revenue	2,966,054	2,132,246	(28.11)
Gross profit	1,435,921	1,088,621	(24.19)
Operating income	1,153,118	834,733	(27.61)

1.1.2. Budget implementation

The company has not disclosed its financial forecast in 2023, so there is no disclosure of the previous year's budget execution.

1.1.3. Profitability analysis

Unit: %

Item	2022	2023
Return on assets	10.09	8.03
Return on equity	12.83	8.89
Income Before Tax to Paid-in Capital Ratio	173.40	136.28
Net profit margin	32.77	32.50
Earnings per share (NT\$)	14.47	10.89

1.1.4. Operating Results

2023 is the post-epidemic period. The Ukraine-Russia war and high inflation will continue to affect the world economic situation. The Chinese economy will not be able to show the expected recovery speed and strength, and the overall global economic operation will lose momentum. APEX DYNAMIC, INC. has a global presence. Although it is less affected by market fluctuations in a single region, it is still unable to escape the downward trend in global production and marketing activities. The cost pressure brought by high inflation and the impact of sharp exchange rate fluctuations will cause the revenue of the machinery industry to shrink significantly in 2023.

The tourism market has rebounded considerably in 2023, driving hotel accommodation and catering consumption, and the operating income of APEX DYNAMICS, INC.'s subsidiary-MILLENNIUM VEE HOTEL TAICHUNG can increase. In addition, the depreciation of some fixed assets of MILLENNIUM VEE HOTEL TAICHUNG has been fully amortized in 2022, so the net income before tax of S MILLENNIUM VEE HOTEL TAICHUNG in 2023 has turned from a loss to a profit.

Therefore, the APEX DYNAMICS, INC.'s group consolidated operating net profit and earnings per share have been revised to a considerable extent in 2023.

1.1.5. Research and development status

Main research and development products	Main purpose and function
Backlash - Free Servo Coupling - Disc Type	The critical part of precision automated equipment, used to buffer axial or lateral errors in transmission.
Gearbox - MF / MFK series	Shaft type output, interface compatible with AF series gearbox, used in environments without special needs, longer service life.
Gearbox - MD / MDK series	The flange type output interface can provide an alternative choice for AD series gearbox customers, with a wider application environment and longer service life.

1.2. Summary of 2024 business plan

1.2.1. Business policy and production and marketing policy

2023 is the post-COVID-19 era. World economic activity has rebounded compared to the two years before the epidemic, but marketing activities are still hovering at a low level. The company's agents in various countries are still actively communicating with customers, consolidating existing customers, and also trying their best to develop new customers and new applications. With the strong R&D and production capacity support of the parent company APEX DYNAMICS, INC., they can quickly meet the needs of the industry.

The company will launch new products at the end of 2023, expand its product line, provide more industrial application solutions, and enter new markets, hoping to quickly inject the company's revenue.

The company currently has 36 general agents in 30 countries around the world. We are still actively seeking regional agents in potential markets, further intensively expanding marketing channels, exploring new markets, and promoting brand image.

1.2.2. Expected sales volume and its rationale

The company refers to the market analysis of major research institutions, and according to the estimated needs of customers, considers production capacity planning, and sets annual sales targets based on past operating performance.

1.3. The future development strategy of the company will be affected by the external competitive environment, regulatory environment and overall business environment

The company's third factory located in Central Taiwan Science Park (Houli Park), in addition to vigorously increasing production capacity and producing existing products, we also continue to develop and produce new products.

Looking forward to 2024, under the guidance of the principles of ESG and energy conservation and carbon reduction, the company will continue to improve various management processes within the company, optimize the cross-departmental information system, real-time and accurate control of the production process, and improve the power of the production line, and continue to optimize the processing and assembly process, strengthen personnel training, and further improve efficiency and yield, continuous optimization of the consistent fast delivery strategy. Among them, the re-optimization of production automation will be used to cope with the increasingly serious shortage of personnel.

We hope that in the post-COVID-19 era, the economy will recover, the business people and tourists from international and domestic will keep coming back, and the MILLENNIUM VEE Hotel Taichung's operation will surely create great results, it will also be a positive help to APEX DYNAMICS, INC.

In this way, the company maintains its growth momentum at a steady pace and enters the next economic cycle.

Finally, I would like to thank all shareholders for their long-term support and encouragement to the company. Here, on behalf of APEX DYNAMICS, INC., I would like to extend my sincerest thanks to all shareholders, and wish all shareholders good health!

President
Chang, Chung-Hsing

General Manager
Kuo, Chung-Che

Accounting Supervisor
Hung, Hsiu-Min

2. Company Profile

2.1. Date of Incorporation : October 26, 1999

2.2. Company History

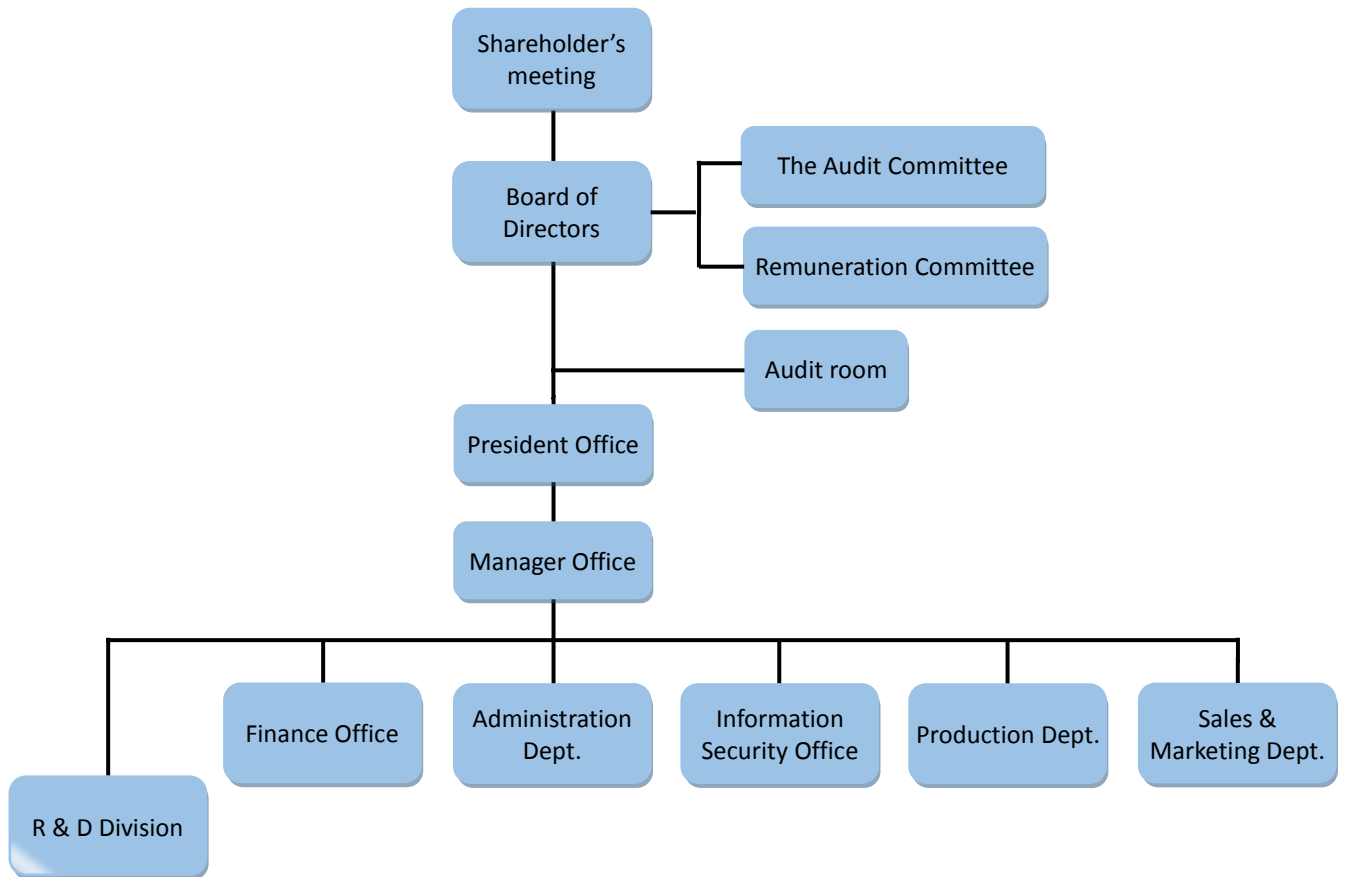
Year	Milestones
1999	<ol style="list-style-type: none"> 1. Taiwan KuangYung Dynamics Technology Co., Ltd. was established under the original name, with a capital of NT\$1,000 thousand. 2. Established at No.6, Gongyecyu 20th Rd., Situn Dist., Taichung City.
2000	Debt as shares is NT\$99,000 thousand, and the paid-in capital after capital increase is NT\$100,000 thousand.
2001	Debt as shares is NT\$110,000 thousand, and the paid-in capital after capital increase is NT\$210,000 thousand.
2002	Changed its name to Taiwan KuangYung Dynamics Technology Co., Ltd.
2003	The cash capital increase was NT\$156,870 thousand, and the paid-in capital after the capital increase was NT\$366,870 thousand.
2006	The surplus was transferred to capital increase of NT\$110,061 thousand, and the paid-in capital after the capital increase was NT\$476,931 thousand.
2007	The surplus was transferred to increase the capital of NT\$71,600 thousand, and the paid-in capital after the capital increase was NT\$548,531 thousand.
2008	<ol style="list-style-type: none"> 1. The cash capital increase was NT\$51,469 thousand, and the paid-in capital after the capital increase was NT\$600,000 thousand. 2. Merged with APEX DYNAMICS, Inc. with the company as the surviving company after the merger.
2009	<ol style="list-style-type: none"> 1. The combined capital reduction was NT\$73,586 thousand, and the paid-in capital after capital reduction was NT\$526,414 thousand. 2. Renamed to APEX DYNAMICS, Inc. 3. Moved to No.10 Keyuan 3rd Rd., Situn District, Taichung City. 3. NT\$90,000 thousand in debt as shares; capital increase of NT\$38,900 thousand in cash; capital increase of NT\$73,970 thousand by transfer of surplus. After capital increase, the paid-in capital is NT\$729,284 thousand. 4. Obtain a patent certificate "Planetary gear lubrication of gear gearbox".
2010	Passed ISO14001 and OHSAS18001 verification.
2011	<ol style="list-style-type: none"> 1. Obtain a patent certificate "Coupling Japan". 2. Validated by the General Administration of Customs AEO.
2013	<ol style="list-style-type: none"> 1. Obtain a patent certificate "APEX DYNAMICS, INC. and design drawings-Japan". 2. Obtain a patent certificate "Hydraulic Turret and clutch drivetrain". 3. Obtain a patent certificate "Turret Power Switching Device- Germany" 4. Obtain a patent certificate "Structure of tight fit block - Japan" 5. Obtain a patent certificate "Structure of Coupling- Italy"
2014	<ol style="list-style-type: none"> 1. Obtain a patent certificate "APEX DYNAMICS, INC. and design drawings - Korea" 2. Obtain a patent certificate "Power turret power transmission clutch device" 3. Obtain a patent certificate "Structure of tight fit block - Taiwan" 4. Obtain a patent certificate "Turret and Knife seat packing machine" 5. Obtained 87% equity of "S Millennium VEE Hotel Taichung", the

Year	Milestones
	investment amount is NT\$609,000 thousand. 6. Established the second factory. The address is Central Taiwan Science Park No. 10, Keyuan 2rd Rd., Xitun Dist., Taichung City.
2015	1. Obtain a patent certificate "Power turret power switching device - Italy" 2. Obtain a patent certificate "Gearbox improved structure - China" 3. Obtained 100% equity of "Millennium VEE Hotel Taichung", with an accumulated investment capital of NT\$700,000 thousand.
2016	1. Obtain a patent certificate "Improved gearbox structure -Taiwan" 2. Obtain a patent certificate "Rack structure - Taiwan" 3. Obtain a patent certificate "Rack - European Union" 4. Launched new product "Rack and Pinion"
2017	1. Obtain a patent certificate "Pinio and Pinion box KHA -appearance paten-New" 2. Obtain a patent certificate "Pinion and Pinion box KF -appearance paten-New" 3. Obtain a patent certificate "Coupling - Taiwan" 4. Obtain a patent certificate "Transmission output shaft connection -Taiwan" 5. Obtain a patent certificate "Rack part (1)- European Union" 6. Obtain a patent certificate "Rack part (2)- European Union" 7. Obtain a patent certificate "Rack part (3)- European Union" 8. Obtain a patent certificate "Pinion part (1)- Japan" 9. Obtain a patent certificate "Pinion part (2)- Japan" 10. Obtain a patent certificate "Pinion part (3)- Japan"
2018	1. Obtain a patent certificate "Rack structure- Italy" 2. Obtain a patent certificate "Coupling - Japan" 3. Obtain a patent certificate "Transmission (1)- European Union" 4. Obtain a patent certificate "Transmission (2)- European Union" 5. Obtain a patent certificate "Rack - U.S.A." 6. Decided to build the third factory in Central Taiwan Science Park's Houli Area
2019	1. Obtain a patent certificate "Rack structure- Switzerland" 2. Obtain a patent certificate "Rack (new style)- China" 3. Obtain a patent certificate "Pinion (1)(new style)- China"
2020	1. Obtain a patent certificate "Pinion (2)(new style)- China" 2. Obtain a patent certificate "Pinion (3)(new style)- China" 3. Obtain a patent certificate "Pinion part (1)- U.S.A." 4. Obtain a patent certificate "Pinion part (2)- U.S.A." 5. Obtain a patent certificate "Pinion part (3)- U.S.A." 6. Approved by Taipei Exchange, public issue of shares on September 29, 2020. 7. Approved by Taipei Exchange , OTC stock trading on December 1, 2020.
2021	1. The third factory in Central Taiwan Science Park's Houli Area was completed.
2022	1. Cash capital increase of NT\$72,430 thousand, and the paid-in capital after capital increase is NT\$801,714 thousand. 2. Approved by TWSE, it was officially listed on May 9, 2022.

3. Corporate Governance Report

3.1. Organizational system

3.1.1. Organization



3.1.2. Major Corporate Functions

Department	Functions
Audit room	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
President office	Strategic planning, business planning authorization and supervision.
Manager office	Implement the company's goals and cooperate with the company's major business decisions, project planning and implementation. Responsible for leading the various departments and units of the organization to jointly achieve organizational goals.
Sales & Marketing Dept.	Develop customers, sell technical support and support customers and take into account the cost.
Production Dept.	Responsible for product manufacturing and production capacity allocation. Comprehensive equipment production management planning and response to production plan changes, scheduling control, production process quality control and improvement plan promotion, establishment of new product production technology, including production section, rack section, assembly section, and biotechnology section, production management section, purchasing section and quality assurance section.
Information Security Office	Information security is responsible for information security management, establishing a safe and trustworthy information system, promoting information security management systems, and strengthening information system and network security. Information is responsible for ensuring the normal operation of the information system, solving various information software and hardware technical problems within the company's network and outside the network; improving the company's overall operational efficiency through computerization; serving all computer users of the company, providing the latest technology and information to improve the system efficiency and quality.
Administration Dept.	Human resources, planning and execution of general affairs, factory affairs, and responsible for the general affairs of the company, handling matters related to various general affairs items and the establishment and maintenance of intellectual property rights, and fulfilling the responsibility of protecting intellectual property. It also has a general affairs section and an environmental safety office.

Department	Functions
Finance Office	Comprehensively manage matters related to finance, tax , accounting, and be responsible for the company's fund allocation, cashier, account, financial statement analysis, cost statistical analysis, various announcements and declarations, stock affairs, board of directors and shareholders' meeting operations, with accounting and finance.
R & D Division	Responsible for the company's product development, manufacturing technical support and overall undertaking of early R&D investment and late-stage technical improvement of process technology, formulating product application development plans, controlling progress and schedule to facilitate business departments to explore potential markets; and planning and designing according to customer needs meet the specifications of sales targets, and also be responsible for the design and improvement of company process issues.

3.2. Information on the company's directors, supervisors, general managers, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branch units, as follows:

3.2.1. Information on Directors and Supervisors

3.2.1.1. 【Information on Directors and Supervisors -1】

March 26, 2024 Unit: shares ; %

Job Title	Nationality or place of registration	Name	Gender /Age	Date of election / appointment to current term	Term (Years)	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	ther officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio			Job Title	Name	Relation	
President	R.O.C	Chang, Chung-Hsing	M 61~70	May 26 2023	3	October 19, 1999	25,172,775	34.52	29,023,554	36.20	238,800	0.30	34,142,162	42.59	National Ilan University Major in Mechanical Engineering President and CEO of APEX DYNAMICS, INC.	<ul style="list-style-type: none"> ■ MILLENNIUM VEE Hotel Taichung: President ■ Titan Sheet Metal Making Technique INC. : President ■ Pu-Mei Co., Ltd. : President ■ APEX Construction Co., Ltd: Director ■ Hsing-Chang Investment Co., LTD: President ■ APEX Steel Technology Inc. : Director ■ Golden Peak International Limited: Director ■ Best Elite International Limited: Director 	—	—	—	—
Director	R.O.C	Chang, Yao-Tung	M 61~70	May 26 2023	3	November 01, 2001	495,017	0.68	495,017	0.62	100,976	0.13	—	—	Vanung University Major in Civil Engineering	<ul style="list-style-type: none"> ■ Min-Da Land Administration Agents Office: Person in charge ■ Titan Sheet Metal Making Technique INC. : Supervisor ■ Hsing-Chang Investment Co., LTD: Supervisor 	—	—	—	—
Director	R.O.C	Huang, Yu-Wen	M 61~70	May 26 2023	3	May 18, 2012	193,003	0.26	193,003	0.24	—	—	—	—	Tunghai University Institute Major in Architecture	<ul style="list-style-type: none"> ■ Huang-Yu-Wen Architects Office: Person in charge ■ Taichung Architects Association: President 	—	—	—	—
Director	R.O.C	Hsu, Che-Chia	M 51~60	May 26 2023	3	May 25, 2018	—	—	—	—	—	—	—	—	National Taipei University Institute Major in Law	<ul style="list-style-type: none"> ■ MILLENNIUM VEE Hotel Taichun: Supervisor ■ Ann-Hsing Cooperative Law Offic: Person in charge 	—	—	—	—
Independent Director	R.O.C	Cheng, Wen-Cheng	M 61-70	May 26 2023	3	May 26 2023	—	—	—	—	—	—	—	—	Feng Chia University Major in Management deputy general Senior Manager of E.SUN BANK, ESB	<ul style="list-style-type: none"> ■ Independent Director of Hota Industriaal MFG ■ Independent Director of SDI Copporation ■ Supervisor of MILLENNIUM VEE Hotel 	—	—	—	Note1

Job Title	Nationality or place of registration	Name	Gender /Age	Date of election / appointment to current term	Term (Years)	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	ther officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio			Job Title	Name	Relation	
Independent Director	R.O.C	Chuang, Bor-Nian	M 61~70	May 26 2023	3	November 06, 2020	—	—	—	—	—	—	—	—	Nationa Changhua University of Industrial Education and Technology Doctor of Industrial EDU Deputy director of the National Measurement LAB	<ul style="list-style-type: none"> ■ Industrial Technology Research Institute: Administrator and Vice CEO of the South Branch ■ Independent Director of Hota Industriaial MFG 	—	—	—	—
Independent Director	R.O.C	Tsai, Yu-Ching	F 51~60	May 26 2023	3	January 08 ,2021	—	—	—	—	—	—	—	—	Nationa Taiwan University Institute Major in Accounting	<ul style="list-style-type: none"> ■ Everwell &Co., CPAs. : Accountant ■ Formosa Optical Technology Co., Ltd. : Independent Director and Remuneration Committee ■ Auden Techno CORP : Independent Director and Remuneralation Committee 	—	—	—	—

Note 1: The company will conduct a comprehensive re-election of directors at the 2023 regular meeting of shareholders. Independent directors Kao Cheng-Shu will be relieved of office on May 26 2023, and independent directors Cheng Wen-Cheng will be newly appointed on May 26 2023.

3.2.1.2. 【Information on Directors and Supervisors -2】

(1) Implementation of board diversity:

Diversity project Director name	Gender	Age (Years old)			Term and Seniority of Independent Directors (Years)			Professional knowledge and skills						
		51~60	61~70	over 70	under 3	4~9	over 9	Industry knowledge	leadership decision	Operate management	Risk Management	Accounting /Legal	International Market View	Technology research
President Chang, Chung-Hsing	M		√					√	√	√	√		√	√
Director Chang, Yao-Tung	M		√					√	√	√	√		√	
Director Huang, Yu-Wen	M		√					√	√	√	√		√	
Director Hsu, Che-Chia	M	√						√	√	√	√	√	√	
Independent director Cheng, Wen-Cheng	M		√		√			√	√	√	√	√	√	
Independent director Chuang, Bor-Nian	M		√			√		√	√	√	√		√	√
Independent director Tsai, Yu-Ching	F	√				√		√	√	√	√	√	√	

Note: The president of the board of directors will stop concurrently serving as CEO on July 21, 2023, and will no longer serve as an employee of the company from the date of resignation.

(2) Policies and management objectives of board diversity:

The company incorporates the concept of diversity into the "Director Selection Procedure" method, the selection of directors shall consider the basic conditions and values as well as professional knowledge and skills, the directors of the company have multiple professional qualifications such as accountants, lawyers, architects and land administration agents. Expertise in different fields such as financial accounting, law, business management and industrial technology application, can improve the professionalism of the board of directors' decision-making, and it is helpful to the company's operation and long-term development. The company's "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" also stipulates that the number of directors who concurrently serve as the company's managers should not exceed one-third of the number of directors.

The company pays attention to gender equality in the composition of the board of directors, and the target ratio of female directors is more than 10%. Currently, there is one female director, and the ratio of female directors is 14.29%.

(3) Independence of Board of Directors:

The company's board of directors consists of seven directors, including three independent directors, accounting for 42.86% of the total number of directors and set up audit committees in accordance with the law to replace supervisors, Situations where the directors do not have a spouse or relative within the second degree, and none of the items in Article 30 of the Company Act.

- (4) The professional qualifications and experience of independent directors, their independence and the number of independent directors concurrently serving as other independent directors of other public offering companies:

Name	Professional qualifications and experience	Independence situation	Whether to concurrently serve director of other companies
Cheng, Wen-Cheng	<ul style="list-style-type: none"> ■ Master of Business Administration from Feng Chia University, ■ Mr. Cheng has many years of working experience in banks. 	<p>The company's independent directors have met the qualification requirements stipulated in the "Regulations on the Appointment of Independent Directors of Public Offering Companies and Matters to Be Followed" and Article 14-2 of the Securities and Exchange Law during the two years before the election and during their tenure.</p> <p>In addition, all independent directors have been empowered to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers</p>	2
Chuang, Bor-Nian	<ul style="list-style-type: none"> ■ Naciona Changhua University of Education/Industrial Educationand Technology / Doctorate degree ■ Mr. Chuang has many years of working experience in ITRI. 		1
Tsai, Yu-Ching	<ul style="list-style-type: none"> ■ Naciona Taiwan University/Accounting/Mas ter degree ■ Ms. Tsai has professional qualifications as an accountant and has many years of working experience as an accountant. 		3

3.2.2. Information on the Management Team

March 26, 2024 Unit: shares ; %

Job Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relation	
General Manager	R.O.C	Kuo, Chung-Che	M	2011.08.01	140,000	0.18	—	—	—	—	<ul style="list-style-type: none"> ■ Technische Universität Berlin, TU Berlin/Applied Mechanic/Doctor's degree ■ Largan Precision Co., Ltd. : Special Assistant to President ■ C-JAC INDUSTRIAL Co., Ltd. : Vice president 	None	—	—	—	—
Deputy General Manager of Sales Department	R.O.C	Chao, Shu-Fen	F	2024.01.01	10,000	0.01	—	—	—	—	<ul style="list-style-type: none"> ■ Tunghai University/Sociology /Bachelor's degree ■ APEX DYNAMICS, INC. : Sales Manager MmFsSalsMana 	None	—	—	—	Note. 2
Production Manager	R.O.C	Huang, Jen-Kuei	M	2012.12.01	54,300	0.07	9,000	0.01	—	—	<ul style="list-style-type: none"> ■ National Chin-Yi University of Technolog Mechanical Design ■ Yeong Chin Machinery Industries Co. Ltd. / Production Supervisor ■ APEX DYNAMICS, INC. : Production Technology Dept./Section Manager 	None	—	—	—	—
Production Department Factory Manager	R.O.C	Lin, Wen-Yen	M	2021.04.01	15,000	0.02	—	—	—	—	<ul style="list-style-type: none"> ■ Hsiuping University of Scienceand Technolog/Mechanical Engineering ■ APEX DYNAMICS, INC. : Production Technology Dept./Section Manager 	None	—	—	—	—

Job Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relation	
R&D Section/ Deputy Section Manager	R.O.C	Hsueh, Shen-Tsung	M	2009.02.27	20,000	0.02	—	—	—	—	<ul style="list-style-type: none"> ■ Nan-Kai University of Technology/ Mechanical ■ GIAM MING ENTERPRISE CO., LTD. R & D Engineer ■ De-Kai Corporation LTD: Engineer ■ APEX DYNAMICS, INC.: Assistant engineer / R&D team leader 	None	—	—	—	—
Director Of Management	R.O.C	Hung, Wen-Chung	M	2009.12.23	—	—	—	—	—	—	<ul style="list-style-type: none"> ■ National Cgung-Hsing University /Environmental Engineering/ Master's degree ■ (BASO) Precision Optics Ltd. : Supervisor of HR Dept., Environmental Safety Dept., General Manager's Office ■ Asia Optical: Safety Standard of Mechanical Equipment Dept. /Advisory specialist 	None	—	—	—	—
Finance & Accounting Supervisor/ Corporate Governance Officer	R.O.C	Hung, Hsiu-Min	F	2014.07.21 / 2023.10.27	21,300	0.03	10,300	0.01	—	—	<ul style="list-style-type: none"> ■ Feng Chia Universit/ Business ■ TAIWAN ULTRA POWER INDUSTRIES LTD: Accountant in charge ■ VITA CORPORATION: Accounting Section Manager. 	Pu-Mei Co., Ltd.: Supervisor	—	—	—	Note. 2
Audit supervisor	R.O.C	Lin, Fang-Jung	M	2020.07.20	6,000	0.01	—	—	—	—	<ul style="list-style-type: none"> ■ National Taiwan University/Business Administration ■ TOPKEY CORPORATION: Audit supervisor ■ SUNREX TECHNOLOGY CORP. ccounting Supervisor 	None	—	—	—	—

Note 1 : The company complies with the provisions of "Article 4 of the Key Points to be observed in the Establishment and Exercise of Powers of the Board of Directors of Listed Companies". Chang, Chung-Hsing President will cease to hold the concurrent position of CEO from July 21, 2023. In line with the spirit of corporate governance, the company's cross-border Department communication and command and coordination are completed by the chairman and general manager to complete the division of power and responsibilities.

Note 2 : Sales Department Manager Chao, Shu-Fen has been promoted to Vice President of Sales Department on January 1, 2024; Finance and Accounting Director Hung, Hsiu-Min has concurrently served as Corporate Governance Director on October 27, 2023.

3.3. Remuneration to Ordinary Directors and Independent Directors

3.3.1. Remuneration of Directors and Independent Directors (Individual Disclosure Of Names And Remuneration Methods)

Year of 2023 ; Unit: NT\$1000 ; %

Job Title	Name (Note 1)	Remuneration								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income				Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Remuneration (A)		Severance Pay (B)		Director Remuneration (C)		Business Execution Cost (D)				Salary, bonuses, and allowance, etc. (E)		Severance Pay (F)		Employee profit-sharing compensation (G)								
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Comp		All companies in the financial		The company	All companies in the financial report			
																Cash Amount	Stock Amount	Cash Amount	Stock Amount					
President	Chang, Chung-Hsing	908	908	-	-	646	646	-	-	1,554	1,554	1,771	1,771	-	-	-	-	-	-	3,325	0.38	3,325	0.38	None
Director	Chang, Yao-Tung	2	2	-	-	646	646	-	-	648	648	-	-	-	-	-	-	-	-	648	0.07	648	0.07	
	Huang, Yu-Wen	3	3	-	-	646	646	-	-	649	649	-	-	-	-	-	-	-	-	649	0.07	649	0.07	
	Hsu, Che-Chia	2	2	-	-	646	646	-	-	648	648	-	-	-	-	-	-	-	-	648	0.07	648	0.07	
Independent Director	Kao, Cheng-Shu	2	2	-	-	269	269	36	36	307	307	-	-	-	-	-	-	-	-	307	0.04	307	0.04	None
	Chuang, Bor-Nian	3	3	-	-	646	646	60	60	709	709	-	-	-	-	-	-	-	-	709	0.08	709	0.08	
	Tsai, Yu-Ching	3	3	-	-	646	646	60	60	709	709	-	-	-	-	-	-	-	-	709	0.08	709	0.08	
	Cheng, Wen-Cheng	2	2	-	-	377	377	36	36	415	415	-	-	-	-	-	-	-	-	415	0.05	415	0.05	

1. Please describe the director's and independent director's remuneration payment policy, system, standards and structure, and describe the relationship with the amount of remuneration based on the responsibilities, risks, investment time and other factors:

- (1) According to the articles of association of the company, the remuneration of the chairman and directors shall be determined by the board of directors according to the degree of participation in the company's operations and the value of their contributions, taking into account domestic and foreign industry standards.
- (2) The company's articles of association also clearly stipulate that no more than 1% (inclusive) of the annual profit will be used as the director's remuneration, and the relevant regulations are handled in accordance with the articles of association of the company's remuneration committee.
- (3) The remuneration of the independent directors of the company, in addition to the director's remuneration provided according to the company's operation and profit status, attends to receive a fixed Traveling expenses according to the actual number of attendance.

2. In addition to the disclosure in the above table, the remuneration received by the directors of the company for providing equity affairs (such as acting as a consultant to the parent company/all companies in the financial report/non-employee reinvestment enterprises, etc.)) Last year: None.

Note 1 : President Chang, Chung-Hsing has resigned from his part-time position as CEO on July 21, 2023. Independent directors Kao Cheng-Shu were dismissed on May 26, 2023. Independent directors Cheng Wen-Cheng were newly appointed on May 26, 2023.

Remuneration Range Table

The remuneration range paid by the company to the Directors	Name of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All companies in the financial report H	The Company	All companies in the financial report I
Less than NT\$1,000,000	Chang, Chung-Hsing Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Bor-Nian Tsai, Yu-Ching Cheng, Wen-Cheng	Chang, Chung-Hsing Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Bor-Nian Tsai, Yu-Ching Cheng, Wen-Cheng	Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Bor-Nian Tsai, Yu-Ching Cheng, Wen-Cheng	Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Bor-Nian Tsai, Yu-Ching Cheng, Wen-Cheng
NT\$ 1,000,000 (inclusive) ~ 2,000,000 (exclusive)	—	—	—	—
NT\$ 2,000,000 (inclusive) ~ 3,500,000 (exclusive)	—	—	Chang, Chung-Hsing	Chang, Chung-Hsing
NT\$ 3,500,000 (inclusive) ~ 5,000,000 (exclusive)	—	—	—	—
NT\$ 5,000,000 (inclusive) ~ 10,000,000 (exclusive)	—	—	—	—
NT\$ 10,000,000 (inclusive) ~ 15,000,000 (exclusive)	—	—	—	—
NT\$ 15,000,000 (inclusive) ~ 30,000,000 (exclusive)	—	—	—	—
NT\$ 30,000,000 (inclusive) ~ 50,000,000 (exclusive)	—	—	—	—
NT\$ 50,000,000 (inclusive) ~ 100,000,000 (exclusive)	—	—	—	—
More than NT\$ 100,000,000	—	—	—	—
Total	8 persons in total	8 persons in total	8 persons in total	8 persons in total

3.3.2. Remuneration to C.E.O and General Manager (Individual Disclosure of Names and Remuneration Items)

Year of 2023 ; Unit: NT\$1000; %

Job Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances, etc. (C)		Employee Remuneration (D)				Ratio of total compensation to net income (%) A, B, C and D, etc.,		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	All companies in the financial	The Company	All companies in the financial	The Company	All companies in the financial	The Company		All companies in the financial report		The Company	All companies in the financial	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
C.E.O	Chang, Chung-Hsing	365	365	-	-	1,406	1,406	-	-	-	-	1,771	0.20	None
General Manage	Kuo, Chung-Che	4,824	4,824	108	108	1,453	1,453	80	80	-	-	6,465	0.74	None

Note : President Chang, Chung-Hsing resigned from his part-time position as CEO on July 21, 2023, and will no longer receive CEO salary from the date of resignation.

Remuneration Range Table

The remuneration range paid by the company To the C.E.O and General Manager	Name of C.E.O and General Manager	
	The company	All companies in the financial report
Less than NT\$1,000,000	—	—
NT\$ 1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Chang, Chung-Hsing	Chang, Chung-Hsing
NT\$ 2,000,000 (inclusive) ~ 3,500,000 (exclusive)	—	—
NT\$ 3,500,000 (inclusive) ~ 5,000,000 (exclusive)	—	—
NT\$ 5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Kuo, Chung-Che	Kuo, Chung-Che
NT\$ 10,000,000 (inclusive) ~ 15,000,000 (exclusive)	—	—
NT\$ 15,000,000 (inclusive) ~ 30,000,000 (exclusive)	—	—
NT\$ 30,000,000 (inclusive) ~ 50,000,000 (exclusive)	—	—
NT\$ 50,000,000 (inclusive) ~ 100,000,000 (exclusive)	—	—
More than NT\$ 100,000,000	—	—
Total	2 persons in total	2 persons in total

3.3.3. Analysis of the ratio of the total amount of remuneration paid to the company's Directors, C.E.O and General Manager by the company and all companies with consolidated statements in the last two years to the after-tax profit of individual or individual financial reports, it also explains the policy, standard and combination of payment of remuneration, the procedure of setting remuneration and the relationship with business performance.

3.3.3.1. Proportion of the total remuneration of Directors and General Manager of the company to the after-tax net (loss) profit:

unit: %

Job Title	2022		2023	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Director	0.42	0.42	0.65	0.65
CEO and General Manager	0.82	0.82	0.94	0.94

3.3.3.2. The company's policy, standard and combination of remuneration, the procedure for determining remuneration, and its relationship with business performance and future risks:

The company's Directors, General Manager and Manager's remuneration are stipulated in the company's articles of association, authorizing the board of directors to negotiate according to the degree of participation in the company's operations and the value of their contributions, as well as the usual industry standards. If the company makes profits in the current year, it shall allocate no less than 0.5% (inclusive) as employee remuneration; and no more than 1% (inclusive) as director remuneration.

The company's remuneration procedures are based on the "Rules for Performance Evaluation of Board of Directors" and the "Annual Operation Dividend Reward Method" applicable to managers and employees, and combined with the company's overall operating performance, give reasonable remuneration. Among them, the company's future business development and business risks are considered, the evaluation is related to the company's business performance, the balance between sustainable operation and risk control is planned, and the performance evaluation results are used as a reference for issuing bonuses. Every year, the Remuneration Committee and the Board of Directors regularly review the rationality of employee performance appraisal and salary.

The name of the manager who distributes employee remuneration and the distribution situation

December 31, 2023 unit: NT\$1,000

Assigned Duties	Job Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net income (%)
Manager	General Mnager	Kuo, Chung-Che	—	264	264	0.03
	Sales Manager	Chao, Shu-Fen				
	Production Manager	Huang, Jen-Kuei				
	Production Manager of the third factory	Lin, Wen-Yen				
	Accounting Supervisor	Hung, Hsiu-Min				
	Assistant Manager of Audit Office	Lin, Fang-Jung				

3.4. The state of the company's implementation of corporate governance

3.4.1. Operation of the Board of Directors

3.4.1.1. 5 annual board meetings have been held recently, and the directors present are as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Note
President	Chang, Chung-Hsing	5	0	100 %	
Director	Chang, Yao-Tung	5	0	100 %	
Director	Huang, Yu-Wen	4	0	80%	
Director	Hsu, Che-Chia	5	0	100 %	
Independent Director	Kao, Cheng-Shu	2	0	100 %	
Independent Director	Cheng, Wen-Cheng	3	0	100 %	Note.1
Independent Director	Chuang, Bor-Nian	5	0	100 %	Note.1
Independent Director	Tsai, Yu-Ching	5	0	100 %	

Note.1: The company will conduct a comprehensive re-election of directors at the 2023 regular meeting of shareholders. Independent directors Kao Cheng-Shu will be dismissed when their term expires on May 26, 2023. Cheng, Wen-Cheng, independent director, will be newly appointed on May 26, 2023.

Other information required to be disclosed:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act. The Company has established an Audit Committee. For relevant information, please refer to the records on the operation of the audit committee.

(2) In addition to the aforementioned matters, other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

(1) On February 24, 2023, when directors discussed the remuneration amount and distribution, salary structure and standards for directors, the directors of Chang, Chung-Hsing; Chang, Yao-Tung; Huang, Yu-Wen and Hsu, Che-Chia they did not participate because they were related to their own interests. After discussion, the remaining directors present passed without objection.

(2) On February 24, 2023, when the directors discussed the remuneration amount and distribution, salary structure and standards for independent directors, the independent directors of Kao, Cheng-Shu; Chuang, Bor-Nian; Tsai, Yu-Ching did not participate because they were related to their own interests. After discussion, the remaining directors present passed without objection.

(3) On October 27, 2023, when the directors discussed the policies, systems, standards and structures of Salary for directors and managers, the directors of Chang, Chung-Hsing; Chang, Yao-Tung; Huang, Yu-Wen and Hsu, Che-Chia, discussed the remuneration package for the president and directors, except for those who recused themselves due to interests, the other directors present approved the decision without objection.

(4) On October 27, 2023, when the directors discussed the policies, systems, standards and structures of Salary for directors and managers, independent directors of Cheng, Wen-Cheng, Chuang, Bor-Nian; Tsai, Yu-Ching, discussed the remuneration package for the president and directors, except for those who recused themselves due to their interests, the remaining independent directors present passed the decision without objection.

3. The listed companies should disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self (or peer) evaluation, as well as the implementation of the evaluation by the board of directors:

On October 28, 2022, the board of directors of the company passed the "Performance Evaluation Method of the Board of Directors", which stipulates that the internal performance evaluation of the board of directors and functional committees should be carried out once a year. The company reported to the board of directors on February 23, 2024, implementation of Evaluations of the board of directors and functional committees in 2023 was evaluated as follows:

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content
Once a year	2023	Performance Evaluation of the Board of Directors	Internal self-assessment of the board of directors	<ol style="list-style-type: none"> 1. Involvement in company operations. 2. Improving the quality of board decision-making. 3. Composition and Structure of the Board of Directors. 4. Election and Continuing Education of Directors 5. Internal Control.
Once a year	2023	Performance Evaluation of Individual Board Members	Board member self-assessment	<ol style="list-style-type: none"> 1. Master the company's goals and tasks. 2. Awareness of Directors' Responsibilities. 3. Involvement in company operations. 4. Internal relationship management and communication. 5. Professional and continuing education for directors. 6. Internal Control.
Once a year	2023	Performance Evaluation of Functional Committees	Audit Committee and Remuneration Committee Internal Self-evaluation	<ol style="list-style-type: none"> 1. Involvement in company operations. 2. Functional Committee Responsibilities Awareness. 3. Improving the quality of decision-making by functional committees. 4. Functional Committee Composition and Member Appointment. 5. Internal Control.

Results of the 2023 Annual Performance Review:

- (1) Performance evaluation of the board of directors: There are 20 self-evaluation indicators, and the total self-evaluation average is 93 points; the evaluation is extremely excellent.
- (2) Performance evaluation of directors: There are 10 self-evaluation indicators, and the total self-evaluation average is 87.14; the score is beyond the standard.
- (3) Audit Committee Performance Evaluation: There are 18 self-evaluation indicators, and the total self-evaluation average is 97 points; the evaluation is extremely excellent.
- (4) Compensation committee performance evaluation: There are 18 self-evaluation indicators, and the total self-evaluation average is 95 points; the evaluation is extremely excellent.

4. Evaluation of the goals and implementation status of strengthening the functions of the board of directors in the current year and the most recent year:

- (1) The board of directors shall guide the company's strategy, supervise the management level, be responsible to the company and the shareholders' meeting, and make arrangements for the various operations and arrangements of the corporate governance system to ensure that it exercises its powers in accordance with laws, regulations of the company's articles of association, or resolutions of the shareholders' meeting.
- (2) The company has set up a remuneration committee and an audit committee, which are composed of three independent directors. Through the establishment of functional committees, the functions and powers of the board of directors are well divided, and with its independent and detached standpoint, it assists the board of directors in decision-making and strengthens corporate governance.
- (3) Every year, directors choose courses covering finance, risk management, business, business, legal affairs, accounting, and corporate social responsibility related to corporate governance topics, or internal control system, financial reporting responsibility and other related courses to improve the awareness and implementation of corporate governance.

3.4.2. Operation of the Audit Committee

3.4.2.1. 4 annual board meetings have been held recently, and the directors present are as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person Attendance rate (%)	Note
Independent Director/ Convener	Kao, Cheng-Shu	2	0	100 %	Note.1
Independent Director/ Convener	Chuang, Bor-Nian	4	0	100 %	Note.2
Independent Director/ Member	Cheng, Wen-Cheng	2	0	100 %	Note.3
Independent Director/ Member	Tsai, Yu-Ching	4	0	100 %	

Note1. Kao Cheng-Shu's term of office expired on May 26, 2023, and he was dismissed as independent director and convener of the first audit committee.

Note2. Chuang, Bor-Nian was appointed as the new convener of the second audit committee on May 26, 2023.

Note3. Cheng Wen-Cheng was elected as an independent director on May 26, 2023 and became a new member of the Audit Committee.

Other information required to be disclosed:

1. The annual work focus of the Audit Committee:

Review the adequacy of financial reports, supervise the effective implementation and improvement of internal controls, assess risks, review the professionalism and independence of certified accountants, and strengthen corporate governance norms.

2. If the operation of the Audit Committee falls under any of the following circumstances, the audit committee meeting date, period, content of proposals, independent directors' objections, reservations, or major proposals, results of audit committee resolutions, and the company's handling of the audit committee's opinions should be stated.

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Period	Date	Content	Results of Audit Committee Resolutions	How the company handles
The 10th time of the first session	February 24, 2023	Self-assessment report on internal control system and statement of internal control system of 2022.	After being consulted by the chairman and all the members present without objection, it was passed as a proposal and submitted to the board of directors for discussion.	Approved by all directors present without objection.
		The Certified Public Accountant's public expense and accountant's professional and independent assessment review case o of 2022.		
		Business report and financial statement of 2022.		
The 11th time of	April 28, 2023	The first quarter Financial Statements of 2023.		
The 1th of the second session	July 28, 2023	Second quarter financial statement of 2023.		
		Case of capital loan of the company and subsidiary company.		

The 2th of the second session	October 27, 2023	Draft the company's audit plan for 2024.		
		Financial statements for the third quarter of 2024.		
		Third quarter financial statement of 2023.		

(2) Except for the above-mentioned matters, other resolution matters that have not been approved by the audit committee and approved by more than two-thirds of all directors: None.

3. The independent director's implementation of the recusal of the stake-related proposal shall state the name of the independent director, the content of the proposal, the reason for the resignation of the interest, and the participation in voting: None.

4. Communications between the independent directors, internal audit supervisors and accounting firm.

(1) Communication between independent directors and internal audit supervisors:

The internal audit supervisor regularly reports on the work of the audit office to the independent directors, and communicate with independent directors about the results of the audit report and the implementation of the follow-up report, The implementation and results of the audit business have been fully communicated. Normally, the audit supervisor can directly communicate with the independent directors by email, phone or meeting as needed, and the communication is very well.

Before the publication of the annual report, the communications between independent directors and accountants are as follows:

Meeting Date	Communication Method	Communication Focus	Result
February 24, 2023	Report and communicate in board meetings	The audit office work report for the fourth quarter of 2022. Self-assessment and statement of internal control system for 2022.	After discussion and communication, the independent directors had no objection to the report on the results of the audit business execution.
April 28, 2023	Report and communicate in board meetings	The work report of the audit office for the first quarter of 2023.	
July 28, 2023	Report and communicate in board meetings	Audit office work report for the second quarter of 2023.	
October 27, 2023	Pre-meeting communication meeting (individual meeting) and board meeting report	Audit establishment and work planning. Executive summary of the 2023 audit plan. Description of the 2024 audit plan. Audit office work report for the third quarter of 2023.	
February 23, 2024	Report and communicate in board meetings	The work report of the audit office for the fourth quarter of 2023. Self-assessment and statement of internal control system for 2023.	

(2) Communication between independent directors and accountants:

Independent directors and accountants report to the board of directors in the audit committee or the board of directors on the review or inspection results of the company's and subsidiaries' financial statements and internal control inspections. Usually, accountants have good communication with direct access to independent directors via email, phone calls or meetings as needed.

Before the publication of the annual report, the communications between independent directors and accountants are as follows:

Meeting Date	Communication Method	Communication Focus	Result
February 24, 2023	Audit committee's report and communication on the day	2022 annual financial report, independence of accountants, responsibility of auditors to audit financial statements, audit scope and audit findings, AQI, the main impact of Statement of Auditing Standard, International Accounting Standards or explanation letters, Securities and Exchange Act. , and Tax Act. , update instructions.	After discussion and communication, it was approved without objection, and the relevant financial report was announced and declared to the competent authority as scheduled.
October 27, 2023	Audit Committee's report on the day and communication meeting before the meeting (individual meeting)	Financial review scope report for the third quarter of 2023, accountant independence, annual audit plan, summary of recent auditing standard , update instructions.	
February 23, 2024	Communication meeting before the audit committee meeting (individual meeting)	2023 annual financial report, accountant independence, audit scope and findings, recent inspection of major internal control deficiencies of listed companies and reminders, Securities and Exchange Act. , and Tax Act. , update instructions.	

3.4.3. Corporate governance implementation status and the reason of deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	√		To implement corporate governance , the company formulated the "Corporate Governance Code of Practice" on March,30, 2021, and it was revised and approved by the board of directors on April, 28, 2023, and it was disclosed on the TWSE MOPS and the company's website.	None
2. Shareholding Structure and Shareholders' Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	√		(1) The company has spokespersons, acting spokespersons and other units specially assigned to accept shareholder suggestions, doubts, disputes and lawsuits, etc.	None
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	√		(2) The company appoints a stock affairs agency to regularly update the register of shareholders and the list of major shareholders, fully grasp the list of ultimate controllers, and disclose them according to law.	None
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	√		(3) The management of the company's reinvested companies is in compliance with the "Internal Control System", "Internal Audit System", "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" and relevant laws and regulations stipulated by the company, and ensure that the operations and business transactions between the company and affiliated companies are operated under appropriate risk control and security mechanisms.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	√		(4) The company has formulated the "Internal Material Information Handling Procedures" and "Insider Trading Prevention Management Procedures", prohibiting company insiders from using unpublished information on the market to buy and sell securities.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	√		(1) The company clearly stipulates the diversification policy of the board of directors in the "Director selection procedure". The current directors also have accounting and professional skills and experience related to the company's business.	None
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		√	(2) The company has set up a remuneration committee and an audit committee, and other functional committees will be set up according to the actual needs of the company.	The company is still discussing its feasibility.
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	√		(3) On October 28, 2022, the Board of Directors of the company passed the "Board Performance Evaluation Measures", stipulating that the performance evaluation of the board of directors, directors, remuneration committee and audit committee should be carried out at least once a year, and the evaluation results should be reported to the board of directors and act as The reference basis for future determination of director remuneration.	No difference from Article 37 of the Code
(4) Does the Company regularly evaluate its external auditors' independence?	√		(4)The company evaluates the independence and suitability of certified accountants every year. In addition to requiring certified accountants to issue a statement of	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>independence, the company also conducts assessments in accordance with the standards of assessment items and audit quality indicators (AQI). The latest assessment results have been passed on February 23, 2024 after deliberation and approval by the Audit Committee, it is submitted to the Board of Directors for approval of the independence and competence of accountants.</p> <p>The evaluation items are as follows:</p> <ol style="list-style-type: none"> 1. As of the latest visa operation, there is no status that has not been replaced for seven years 2. There is no direct or indirect financial interest relationship with the company. 3. There is no significant and close business relationship with the company. 4. Accountants should ensure the integrity, impartiality and independence of their assistants. 5. Shall not be a director, supervisor or manager of the company, or a position that has a significant impact on audit cases within the last two years. 6. The identity of an accountant cannot be borrowed by others. 7. Does not hold shares in the company and affiliated companies. 8. No money borrowed from the company or affiliated companies 9. There is no joint investment or benefit sharing relationship with the company or affiliated companies. 10. Receive fixed remuneration without concurrently holding regular jobs in the company or affiliated companies. 	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>11. Does not involve the management functions of the company or affiliated companies to make decisions.</p> <p>12. Failure to concurrently operate other businesses that may lose its independence</p> <p>13. No spouse or relative within the second degree of relationship with the company's management personnel.</p> <p>14. There has been no incident of disciplinary action or damage to the principle of independence.</p> <p>15. Whether the Audit Quality Indicator (AQI) meets the assessment criteria.</p> <p>Evaluation result: Based on the above evaluation results, the company's certified accountants Chang, Tsu-Hsin and Chen, Cheng-Hsueh have no irregularities in terms of eligibility and independence.</p>	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	√		4. The company has set up a dedicated corporate governance manager on April 28, 2023, but it has been divided and concurrently responsible for corporate governance-related matters in accordance with the existing organizational functions; the current discussion unit is the Finance Office, which is responsible for handling matters related to the board of directors and shareholders' meetings in accordance with the law. , prepare minutes of board of directors and shareholders meetings and assist directors in complying with laws, etc.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	√		5. The company's website has a stakeholder communication area, and issues of concern to stakeholders and communication channels are disclosed on the website for consultation.	None
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	√		6. The company appointed the Mega Securities - Stock Agency Headquarters to handle matters related to the shareholders' meeting.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	√		(1) The company website has set up a special area for investors to disclose financial information, shareholder services, corporate governance and other related areas, fully disclosing financial business and corporate governance information.	None
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	√		(2) The company discloses relevant information on "TWSE MOPS" in accordance with regulations, implements a spokesperson system, and sets up an investor zone on the company's website to disclose relevant information.	None
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	√		(3) The company's 2023 Parent Company Only Financial Statements and Consolidated Financial Statements have been announced within two months after the end of the fiscal year; and the financial reports for the first, second, and third quarters and the operating conditions of each month have been	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			submitted within the prescribed time limit.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	√		<p>(1) Employee rights and employee care: The company has set up an employee welfare committee to handle various welfare matters, and in accordance with the Labor Standards Act and Labor Welfare and Retirement, in addition to withdrawing and appropriating pensions, and regularly holds labor-management meetings as a communication between labor and management pipeline. The protection of various rights and interests of employees and the implementation of the welfare system are based on laws and regulations.</p> <p>(2) Investor Relations: In order to protect the rights and interests of shareholders and make it easy for the investing public to understand the company's operating conditions, the company convenes shareholders' meetings every year in accordance with the company law and related laws and regulations, and discloses relevant information on TWSE MOPS in accordance with regulations.</p> <p>(3) Supplier relationship: The company's business strategy is based on the principle of honesty, keeping promises with suppliers and stakeholders, and maintaining good interactive and cooperative relationships with suppliers.</p> <p>(4) Rights of interested parties: The company maintains good communication ways with stakeholders such as employees, customers and suppliers, and</p>	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>respects and safeguards their legitimate rights and interests.</p> <p>(5) Directors' advanced training: In order to implement corporate governance, all directors of the company have professional background capabilities and practical experience in operation and management, and the number of training hours for the seven directors (including independent directors) of the company has reached the prescribed standard.</p> <p>(6) Implementation of risk management policies and risk measurement standards: The company has formulated the "Internal control system" and related management rules and regulations in accordance with laws and regulations to prevent risks, and the internal audit unit has drafted an audit plan based on risk assessment check the implementation of the internal control system.</p> <p>(7) Execution of customer policy: The cooperation between the company and customers is handled in accordance with the norms and contracts signed by both parties to protect the rights and interests of both parties, and there are special personnel responsible for communicating with customers and dealing with related issues.</p> <p>(8) Circumstances in which the company purchases liability insurance for directors: Insured objects: Directors and Major employee Insurance amount: USD 1,000 thousand Insurance company:</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			South China Insurance Co., Ltd. Insurance period: September 15, 2023 - September 15, 2024	
<p>9. According to the corporate governance evaluation results released by TWSE/Corporate Governance Center in the latest year, it explains the situation that has been improved, and proposes priority strengthening items and measures for those that have not improved:</p> <p>The company has not been included in the rated companies, so it is not applicable.</p> <p>In response to the results of the 10th Corporate Governance Evaluation released by Taiwan Stock Exchange, the company hereby summarizes the evaluation indicators as follows based on the improvement and unscored items:</p> <p>(1) Strengthen the structure and operation of the board of directors</p> <ol style="list-style-type: none"> i. The company has currently established a salary and remuneration committee and an audit committee as required by law. In the future, other functional committees will be established based on actual needs. ii. The company has not yet formulated an intellectual property management plan that is linked to its operational goals, and will evaluate it based on actual conditions in the future. <p>(2) Improve information transparency</p> <ol style="list-style-type: none"> i. The company has announced the annual financial report within two months after the end of the fiscal year, and has issued the English version of the shareholders' meeting annual report and annual financial report in conjunction with the shareholders' meeting schedule. However, the English version of the interim financial report has not yet been disclosed. It will be evaluated based on the actual situation in the future. ii. The company's website has established an investor area, which discloses information related to finance, stock affairs and corporate governance. However, an English version has not yet been set up. This will be evaluated based on the actual situation in the future. iii. The company has not been invited (by itself) to hold at least two legal person briefings every year, and will hold legal person briefings in due course to assess the actual situation in the future. iv. The company's 2022 Annual Shareholders' Meeting Annual Report did not disclose the remuneration of directors, general managers and deputy general managers individually, but it was disclosed in the 2023 Annual Shareholders' Meeting Annual Report. <p>(3) Implement corporate social responsibility</p> <ol style="list-style-type: none"> i. The company has formulated the "Code of Practice for Sustainable Development" but has not yet prepared a sustainability report. It will be done in due course in the future depending on actual needs or legal requirements. ii. The company has dedicated environmental management personnel and has passed ISO14001:2015 certification. It has formulated energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management policies, but it has not disclosed reduction targets, promotion measures and achievements. situation, relevant information is expected to be disclosed on the company's website in the future. 				

3.4.4. Composition, responsibilities and operations of the Remuneration Committee

3.4.4.1. Information on Remuneration Committee Members

Qualifications		Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
Titel	Name			
Independent director/ Convener	Cheng, Wen-Cheng	<ul style="list-style-type: none"> ■ Master of Business Administration from Feng Chia University, ■ Mr. Cheng has many years of working experience in banks. 	The members of the company's remuneration committee have met the qualification requirements stipulated in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and "Securities and Exchange Act" Article 14-2 during the two years before the election and during their tenure, and are independent All directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers.	2
Independent director/ Member	Chuang, Bor-Nian	<ul style="list-style-type: none"> ■ National Changhua University of Education/Industrial Education and Technology / Doctorate degree ■ Mr. Chuang has many years of working experience in ITRI. 		1
Independent director/ Member	Tsai, Yu-Ching	<ul style="list-style-type: none"> ■ National Taiwan University/Accounting/Master degree ■ Ms. Tsai has professional qualifications as an accountant and has many years of working experience as an accountant. 		3

3.4.4.2. Information on the operation of the remuneration committee

- (1) The company's remuneration committee has 3 members.
- (2) The term of office of the current committee members: from May 26, 2023 to May 25, 2026, the recent annual remuneration committee held 2 meetings, the qualifications and attendance of the committee members are as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended in person	In-person attendance rate (%)	Note
Convener	Kao,Cheng-Shu	1	0	100 %	Note.1
Convener	Cheng,Wen-Cheng	1	0	100 %	Note.2
Member	Chuang, Bor-Nian	2	0	100 %	
Member	Tsai,Yu-Ching	2	0	100 %	

Note.1: Kao, Cheng-Shu's term of office expired on May 26, 2023, and he was dismissed as the convener of the first Salary and Remuneration Committee.

Note.2: Cheng, Wen-Cheng was appointed as the new convener of the second Salary and Remuneration Committee on May 26, 2023.

Other information required to be disclosed:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (ex: the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.4.4.3. Information on the members of the Nomination Committee and its operation:
None

3.4.4.4. Important matters resolved at the remuneration committee meeting are as follows:

Date	Content of Resolution	Results of Resolutions of the Remuneration Committee	The Company's Handling of the Remuneration Committee's Opinions
Febr 24, 2023 The 9th time of the first session	<ol style="list-style-type: none"> 1. The company's 2022 employee remuneration and director remuneration distribution plan. 2. The company's 2022 director and manager performance evaluation report. 3. The company's 2022 salary structure and standards for directors and managers. 	<p>Except for the members who have avoided the discussion and voting in accordance with the law, the rest of the attending members passed the proposal without objection and submitted it to the board of directors for discussion.</p>	<p>The proposal was submitted to the board of directors, and except for the directors who were legally absent and did not participate in the discussion and voting, the other directors present had no objections and the proposal was passed accordingly..</p>
Oct 27, 2023 The 1st time of the second session	<ol style="list-style-type: none"> 1. Remuneration payment case for the company's president and directors. 	<p>Except for the members who have avoided the discussion and voting in accordance with the law, the rest of the attending members passed the proposal without objection and submitted it to the board of directors for discussion.</p>	<p>The proposal was submitted to the board of directors, and except for the directors who were legally absent and did not participate in the discussion and voting, the other directors present had no objections and the proposal was passed accordingly.</p>

3.4.5. Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	√		<p>In order to actively promote sustainable development and strengthen the corporate governance management mechanism, the company has established a "Sustainable Development Group" on February 23, 2024. The Board of Directors has authorized the Management Department to serve as a part-time unit to promote sustainable development, and the General Manager as the general convener. He leads senior managers from different areas within the factory to jointly review the company's core operating capabilities, formulate corresponding strategies and work guidelines, planning and execution plans, and track execution results to ensure that the sustainable development strategy is fully implemented in the company's daily life.</p> <p>The company's sustainability policy is to use a complete and systematic identification process of major issues to identify issues that are of greater concern to stakeholders or that have a greater impact on the company's sustainable operations, as the basis for the preparation of future sustainability reports spindle.</p> <p>The Company's "Sustainability Development Group" regularly reports to the board of directors on the promotion of sustainable development, including ESG-related reports, discusses the possibility of improving the strategy and goals of the corporate governance evaluation, and reviews the progress of the strategy, and the items expected to be discussed in 2024 are: occupational</p>	None.

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>safety hazard, wastewater reduction, energy conservation and carbon reduction, waste reduction and other related issues.</p> <p>The implementation status and results of sustainable development are as follows:</p> <ol style="list-style-type: none"> 1. Strengthen corporate governance organization and system. 2. Promote the development of a sustainable environment. 3. Ensure that matters related to risk management are supervised. 4. Planning and promoting energy conservation and carbon reduction and carbon neutrality related matters. 5. Regularly report the implementation status to the board of directors every year, the latest date of submission is April 28, 2023. 6. Conduct risk assessments on environmental, social and corporate governance issues related to operations. 7. Based on the assessed risks, formulate relevant risk management policies and strategies. 	
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	√		<ol style="list-style-type: none"> (1) The company has established "Sustainable Development Best Practice Principles" and complies with ISO9001, 14001 and 45001 standards, The company will fulfill its corporate social responsibility, implement its code of conduct, and disclose the code on the public information observation station and company website. (2) Establish a major risk identification and analysis process in accordance with relevant ISO standards. Through procedures such as collection and inspection, sorting and identification, and confirmation, identify major 	<p>None</p> <p>None</p>

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>themes of sustainable development and related risks, and formulate relevant management strategies, The boundaries of risk assessment and risk management policies or strategies of the company's major issues are based on the company, and the main points are summarized as follows:</p> <ol style="list-style-type: none"> 1. Major environmental issues: The company identifies the risks of climate change and evaluates the relevant response measures to climate change, such as the risk of water shortage in dry season and power cut in summer caused by climate change, the management procedures for water and electricity consumption have been formulated, including water restriction and water supply interruption management regulations for the whole plant, emergency power supply priority operation standards, etc. 2. Major social issues: Improve occupational safety and health management as a priority, The company obtained OHSAS18001 certification in 2010, In the ISO 45001:2018 management system announcement, the existing occupational safety and health management methods and regulations have been continuously revised, and the ISO 45001:2018 management system certification has been obtained in 2020, and through the essentialization of mechanical safety, education, training and publicity to enhance employees' awareness and ability of safety and hygiene; supervisors at all levels regularly inspect the behavior of employees and third-party factory personnel and 	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>monitor the working environment to reduce employee exposure risk factors.</p> <p>3. Major issues in corporate governance: In order to avoid the risk of illegality caused by internal operations failing to respond immediately when external regulations and norms are updated, the company has established systematic norms for identification and management of regulations.</p>	
<p>3. Environmental issues</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p>	√		<p>(1) The company has passed ISO14001, ISO 45001 certification, implementing environmental protection, waste reduction, weight reduction, pollution prevention and zero disasters. The company's use of main raw materials complies with RoHS, REACH and directives prohibiting the use of toxic chemical substances, and prohibits the hazardous substances regulated in the directives during production to reduce the impact on the environment.</p>	None
<p>(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</p>	√		<p>(2) The company strives for the utilization efficiency of various energy sources, installs solar power generation devices in the factory area, and strengthens the recycling and reuse of hydropower and other resources, Install water-saving and power-saving equipment and use clean energy; and implement reduction, resource classification, recycling, reuse and proper disposal ; irregularly carry out the promotion and publicity of environmental protection concepts to reduce the impact on environmental load and effective energy.</p>	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	√		<p>(3) In the face of global climate change issues, the company will implement the net-zero schedule and achieve carbon neutrality through the three major aspects of "green source development and design", "low energy consumption in manufacturing processes" and "supply chain management" . The Company identifies and evaluates the potential impacts and impacts of climate change in accordance with its business activities, service provision and environmental interactions, and takes into account the norms of international initiatives related to sustainability and climate change and China's environmental sustainability laws and regulations, and then adopts response measures and formulates management policies. With reference to the TCFD framework, we will continue to aggregate external information and progressively assess climate-related risks and opportunities, so as to respond to changes in regulations and business environment, and incorporate environmental policies as follows:</p> <ol style="list-style-type: none"> 1. Commitment to continuous improvement and reduction of pollution, health promotion, disease prevention, hazard prevention and risk control. 2. Commitment to comply with Environmental Protection, Occupational Safety and Hygiene regulations. 3. Effectively control waste, wastewater, air pollution, and safety and health incidents. 	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	√		<p>4. Save energy resources and care for the earth.</p> <p>(4) They compa has obtained the ISO 14001 environmental management system certification in 2010, and must be re-verified by the external audit of SGS Taiwan, Ltd. every three years, and the latest ISO 14001:2015 certificate is valid from October 1, 2022 to October 1, 2025. Greenhouse gas emissions, water consumption and total waste weight are all covered by third-party verification bodies.</p> <p>1. Greenhouse gas emission statistics and management policies:</p> <p>The Company conducts regular greenhouse gas inventories in accordance with the ISO 14064 greenhouse gas inventory standard on an annual basis, and regularly submits them to the Central Taiwan Science and Technology Administration (CSTA) for record keeping, and reports to the competent authorities on energy usage and calculation of carbon emission information. In addition, we take relevant actions to assess climate change according to the actual situation. With 2021 as the base year, we have set a short-term goal: a 1% reduction in short-term emissions by 2025, a mid-term goal: a 3% reduction in mid-term emissions by 2030, and a long-term goal: a 5% reduction in long-term emissions by 2050.</p> <p>Greenhouse gases cause global climate change. The company responds to the government's promotion of renewable energy policies, carefully evaluates the development conditions of various renewable energy sources, actively</p>	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons									
	Yes	No	Summary description										
			<p>installs photovoltaic devices, increases renewable energy power generation, and contributes to building a low-carbon city. Energy saving and carbon reduction projects, the company builds pollutant prevention and control equipment to ensure compliance with regulatory emission standards, so as to reduce the impact on climate change and the environment. The company conducts greenhouse gas inventory regularly every year, and relevant information is also reported to the Competent Authority, In the future, we will evaluate whether to take relevant actions on climate change according to the actual situation, and set short-term, medium-term and long-term greenhouse gas reduction goals, with the goal of achieving carbon neutrality.</p> <p>The greenhouse gas consumption in the past two years is as follows:</p> <table border="1"> <thead> <tr> <th>Year Item</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Category 1 - Direct</td> <td>46 mt</td> <td>83mt</td> </tr> <tr> <td>Category 2 - Indirect</td> <td>11,891 mt</td> <td>22,341mt</td> </tr> </tbody> </table> <p>Data coverage: all factories of the company</p> <p>Note: The difference in direct greenhouse gas emissions is mainly due to the integration of the manufacturing processes of the first factory and the third factory, thus increasing vehicle transportation.</p> <p>2. Water consumption statistics and management policies: In response to global climate change, water supply stability has become an important issue facing all countries. The company fulfills its social responsibilities and responds to the global water shortage</p>	Year Item	2022	2023	Category 1 - Direct	46 mt	83mt	Category 2 - Indirect	11,891 mt	22,341mt	
Year Item	2022	2023											
Category 1 - Direct	46 mt	83mt											
Category 2 - Indirect	11,891 mt	22,341mt											

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons									
	Yes	No	Summary description										
			<p>issue, taking concrete actions to face the challenges of climate change together with global companies. In response to the water reduction strategy, we actively cooperate with the government's recycled water recycling and reuse policy and continue to control water consumption. With 2021 as the base year, we set a goal of reducing water consumption by 1% per year. The specific measures for water resource management are as follows:</p> <ol style="list-style-type: none"> (1) Install the whole plant air conditioning monitoring system. (2) Low-pollution water recycling and reuse. (3) Install water-saving toilet fixtures (4) Set up rainwater recovery water for planting sprinkler irrigation. (5) After the RO wastewater is collected, it is used again for toilet flushing. (6) The cooling tower is equipped with a splash-proof and anti-evaporation mask. <p>The consumption of water, electricity and waste in the last two years is as follows:</p> <table border="1"> <thead> <tr> <th>Item \ Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Water Used (1000 degrees)</td> <td>82 thousand degree</td> <td>77 thousand degree</td> </tr> <tr> <td>Electricity Used (1000 degrees)</td> <td>23,362 thousand degree</td> <td>22,912 thousand degree</td> </tr> </tbody> </table> <p>Data coverage: all factories of the company</p> <p>3. Waste Statistics and Management Policy: The company's waste management goal is to reduce the amount of waste and recycle and regularly carry out the inventory of greenhouse gas emissions, the statistics of water consumption and</p>	Item \ Year	2022	2023	Water Used (1000 degrees)	82 thousand degree	77 thousand degree	Electricity Used (1000 degrees)	23,362 thousand degree	22,912 thousand degree	
Item \ Year	2022	2023											
Water Used (1000 degrees)	82 thousand degree	77 thousand degree											
Electricity Used (1000 degrees)	23,362 thousand degree	22,912 thousand degree											

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons									
	Yes	No	Summary description										
			<p>the total weight of waste every year; various management plans have also been formulated to effectively improve energy performance, implement resource reuse and reduce waste generation.</p> <p>Taking 2021 as the base year, the target is set to reduce the amount of waste by 1% each year. The increase in waste volume in 2023 is mainly due to multi-year clearance, resulting in an increase in the amount of waste transported in 2023.</p> <table border="1"> <thead> <tr> <th>Item \ Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Hazardous Waste</td> <td>11 mt</td> <td>13 mt</td> </tr> <tr> <td>Non-Hazardous Waste</td> <td>198 mt</td> <td>236 mt</td> </tr> </tbody> </table> <p>Data coverage: all factories of the company</p> <p>Note: The company's hazardous wastes are notified and can be directly reused.</p> <p>The company's waste management policy and objectives prioritize waste reduction at the source and resource utilization. Evaluate resource minimization at the source of production to achieve optimal and minimal use of raw materials.</p> <p>The company's gearbox production line has integrated upstream metal processes. Precision gears, gear racks, and components are all self-manufactured, so the main raw materials used are steel or aluminum bars (recyclable) and metal cutting fluid (to extend uselife). During the manufacturing process, waste generated should be disposed of through resource recovery in accordance with the "Waste Disposal Act" and relevant regulations on</p>	Item \ Year	2022	2023	Hazardous Waste	11 mt	13 mt	Non-Hazardous Waste	198 mt	236 mt	
Item \ Year	2022	2023											
Hazardous Waste	11 mt	13 mt											
Non-Hazardous Waste	198 mt	236 mt											

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			recycling, utilizing recovery methods. The Spent Pickle Liquor(hazardous industrial waste) and other general industrial waste will be transported by a third-party qualified refuse removal company to the business waste comprehensive treatment center under the guidance of the Ministry of Economic Affairs, or to qualified Level A or B private waste disposal facilities for processing. The refuse removal company has a GPS positioning system in place to ensure that the disposal of waste by the company is ultimately legally and properly disposed of.	
4. Social issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	√		(1) The company abides by the Labor Standards Act, protects the legitimate rights and interests of employees, follows ICCPR, and formulates relevant management policies and procedures. It also allocates pensions and has an employee welfare committee. Employees of any nationality enjoy the same welfare measures. The company acknowledges and voluntarily agrees to comply with the internationally recognized human rights standards from "Universal Declaration of Human Rights." 、"The United Nations Global Compact." 、"United Nations Guiding Principles on Business and Human Rights." and"International Labour Organization.", to respect the protection established by the Human Rights of Convention.	None
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation,	√		(2) The company has established performance appraisal management and other related measures to fairly and reasonably evaluate the work	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?			<p>performance of employees and supervisors, and determine their salary adjustment levels based on their professional knowledge, technology and personal performance. The employee performance appraisal system will be handled in accordance with the company's personnel management regulations and reward and punishment provisions of the work rules. The company also organizes newcomer training. In addition to promoting the company's system and related policies, the newcomer training is used to educate employees to take honesty as the highest principle; In addition, through regular and irregular publicity of corporate ethics, the relevant results are combined with employee performance, The company's employee remuneration policy and its implementation are as follows:</p> <p>1. Talent Strategy:</p> <p>Towards an excellent enterprise with sustainable operation, the company's talent recruitment policy draws up recruitment plans for key positions based on business strategies, and based on the principle of "equal treatment", differences in gender, race, nationality, religion, age, physical disability, political affiliation, marital status, trade unions and associations will not affect employment, salary, promotion opportunities, etc. Through a fair and just recruitment and selection mechanism, create a friendly workplace environment with gender equality, multicultural integration, and cross-generational composition. With an inclusive atmosphere, employees</p>	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>are encouraged to respect differences, learn together, and enhance team cohesion, which has become the driving force behind the company's continuous progress.</p> <p>2. Performance appraisal: The company clearly stipulates the performance appraisal system and assessment and other related methods. Through quarterly performance appraisal, employees can fully understand their strengths and weaknesses. And according to the staff's professional knowledge and technology and personal performance to verify their rewards.</p> <p>3. Talent retention: The company firmly believes that employees are the greatest asset of the company, and provides competitive salary and career development opportunities. The salary is determined according to the employee's academic background, professional knowledge and technology, and seniority experience. In order to ensure market competitiveness, a market salary survey is conducted, and salary adjustments are made according to the market level of each position and individual performance. The average standard salary of grassroots employees is better than the statutory salary.</p> <p>4. Other benefits The company provides employees with complete systems and facilities, including labor insurance, National Health Insurance, annual operating bonus, employee restaurants, fitness centers, and Employee Welfare Committee. Based on the company's</p>	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	√		<p>overall operation, team and individual performance, design a reward incentive plan and share profits and surplus with employees to achieve the purpose of attracting, retaining, motivating and cultivating high-quality talents.</p> <p>(3) The company obtained OHSAS 18001 certification in 2010 and ISO 45001:2018 certification for Occupational Health and Safety Management System in 2020. The current certificate is valid from September 18, 2022, to September 13, 2025. Through planning, execution, review, action, and other management cycles, the management system is implemented to comply with relevant occupational safety and health laws and regulations. This continuous improvement aims to enhance occupational safety and health management performance, creating a safe work environment and a healthy workplace.</p> <p>The company cultivates employees' safety awareness through safety and health regulations, occupational safety and health education training for recruits and existing employees, fire safety, evacuation drills, and hazard awareness training courses. In order to encourage employees to actively participate in the promotion of the occupational safety and health management system within the factory, the Environment safety and health committee is seeking opinions on incorporating relevant occupational safety and health consulting issues into the discussion. To enhance the interaction between</p>	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>employees and the company's occupational safety and health management, the following steps are as follows:</p> <ol style="list-style-type: none"> 1. Establish a mechanism for self-monitoring of operations to identify risks and monitor the operating environment, formulate a health classification management mechanism, and strengthen operational safety. 2. Focus on source management: According to the regulations of engineering risk management for building plants, when designing a factory, all potential hazards during construction should be considered. 3. Preventive Measures: During the operational phase, hazard identification and assessment are conducted for field-work operations, and the best feasible methods and technologies are adopted to reduce the risk of hazards. 4. Prevention and Risk Control: Equipment must comply with safety inspection regulations before it can be operated to ensure the safety of employees. For chemicals, in accordance with the requirements of laws and regulations for the management of chemicals, the company has established a chemical control detailed list, screened high-risk substances, and controlled at the source, so as to protect the health of employees and avoid environmental impact. 5. Promote employee health: There are professional nursing staff to plan a complete health management plan. In addition to the annual health checks, it 	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>also provides medical consultation and various health-promoting dynamic activities.</p> <p>6. Establish an emergency response framework: In order to avoid major impacts on operations caused by emergencies, an emergency response team is set up. The company has established an emergency response plan, covering fire, chemical leakage, and earthquake accident response preparations and plans, and regularly conducts relevant drills every six months, so that personnel can be familiar with various procedures, so as to reduce personnel and property in emergencies the impact.</p> <p>7. Continuing to collaborate on the promotion of a qualitative safety management system, the implementation of contracting management systems, the enhancement of professional knowledge, and assistance with safety information, facilities, and personnel safety training to achieve the goal of "zero major occupational accidents."</p> <p>8. Participate in the Central Taiwan Science Park Administration Bureau's Occupational Safety Promotion Association, to combine resources from various industries for collaborate on reducing occupational hazards.</p> <p>9. The main factors of occupational accidents in 2023 is traffic accidents. Therefore, improvement and publicity are carried out for relevant risk factors to increase the risk awareness of colleagues. In 2023, our company has organized occupational safety and workplace safety related seminars, with a total of 340 participants and</p>	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																								
	Yes	No	Summary description																									
(4) Has the Company established effective career development training programs for employees?	√		<p>1,727 hours in total.</p> <p>The number and ratio of occupational accidents in the past two years are as follows:</p> <table border="1"> <thead> <tr> <th>Item \ Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>occupational accidents-factory</td> <td>1 people</td> <td>0 people</td> </tr> <tr> <td>occupational accidents-traffic</td> <td>1people</td> <td>5 people</td> </tr> <tr> <td>Ratio</td> <td>0.29 %</td> <td>0.71.%</td> </tr> </tbody> </table> <p>The company places great importance on fire safety. We conduct regular fire safety inspections every year, which is why no fire incidents have occurred.</p> <p>In the past two years, the number of fire incidents, casualties, and fatality rates are as follow:</p> <table border="1"> <thead> <tr> <th>Item \ Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Number of fires</td> <td>0</td> <td>0</td> </tr> <tr> <td>casualties</td> <td>0 people</td> <td>0 people</td> </tr> <tr> <td>Fire casualty rate</td> <td>0.00%</td> <td>0.00%</td> </tr> </tbody> </table> <p>(4) The company has established "education and training procedures regulations." as the basis for employee education and training. Education and training are used to enrich employees' knowledge and skills, improve work efficiency and quality, and combine employee growth with corporate development goals. And design different training programs, including training for new recruits, personal function development, and other management and training professional knowledge enhancement.</p>	Item \ Year	2022	2023	occupational accidents-factory	1 people	0 people	occupational accidents-traffic	1people	5 people	Ratio	0.29 %	0.71.%	Item \ Year	2022	2023	Number of fires	0	0	casualties	0 people	0 people	Fire casualty rate	0.00%	0.00%	None
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Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies	√		(5) The company mainly sells mechanical transmission components such as Planetary Gearbox, all of which follow the relevant international product specifications and the specifications agreed between the two parties, product manufacturing, packaging, labeling, and products sold also meet the requirements of international environmental protection regulations such as the European Union, and formulate "Enforcement Rules of the Personal Data Protection Act" and related procedures to protect consumer rights and customer privacy, set up a special complaint window, conduct regular customer satisfaction surveys, and establish strict privacy protection measures.	None
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	√		(6) The company aims to implement sustainable business practices and hopes to establish long-term and stable cooperation relationships with suppliers to fulfill social responsibilities together. According to the "Supplier Management Measures," suppliers who meet the quality standards are carefully selected, and only collaborate with suppliers who comply with local laws. The contract specifies the requirements and expectations of the company towards suppliers, including strict prevention of environmental, safety, and health risks, prohibition of child labor, labor management, elimination of all forms of forced labor, and no violation of basic labor rights. Adherence to basic human rights, moral standards, and integrity in operations.	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>The supplier management policy of the company is as follows:</p> <ol style="list-style-type: none"> 1. The company has formulated relevant regulations such as "Supplier Management Measures", "Material Procurement Management Measures" and "Foreign Procurement Operation Management Measures" from Supplier evaluation, regular assessments, and continuous improvement are all controlled to establish a sustainable supplier management mechanism for long-term growth. 2. Implement corporate environmental protection responsibilities by ensuring that products comply with the Restriction of Hazardous Substances Directive (RoHS) and REACH environmental regulations , in order to achieve environmental protection policies. 3. Based on the "Supplier Evaluation Form," a comprehensive evaluation is conducted on six aspects, including organizational policy, quality, price, delivery time, technology, and service. 4. With respect to the sustainable management of suppliers, the Company emphasizes the environmental, social, and corporate governance requirements of suppliers. 	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		√	The company does not need to prepare a sustainability report yet.	The company has formulated the "Code of Practice for Sustainable Development", which will be implemented in accordance with the company's

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
				needs or legal requirements in the future.
<p>6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations:</p> <p>The company's board of directors approved the formulation of the "Corporate Social Responsibility Code of Practice" on March 30, 2021, which was revised and renamed as the "Code of Practice for Sustainable Development" approved by the board of directors on March 25, 2022. The company regularly reviews the implementation status. It has been improved accordingly, and there have been no major differences in implementation so far.</p>				
<p>7. Other important information to facilitate better understanding of the company's promotion of sustainable development:</p> <p>(1) Environmental Protection and Energy Saving:</p> <p>The company continues to be committed to environmental protection and waste reduction, and strives to contribute to the earth's energy saving and carbon reduction.</p> <p>The company passed the certification of the environmental management system ISO 14001 in 2010 and recertifies every three years. After the external audit by Taiwan Inspection Company, there are no major deficiencies and passed the verification; the company adheres to the spirit of continuous improvement of the environmental management system ISO 14001, gradually improves the performance of various environmental management, and conducts internal and external audits every year to ensure that all operations are in line with ISO 14001 specification, And through the "Environmental Safety and Health Management Committee", strengthen communication and coordination, improve environmental protection, energy saving and occupational safety work improvement effect.</p> <p>Continue to develop high-precision automation key components and provide them to various related industries to reduce the use of high-power-consuming automation equipment in various industries; continue to reduce the water used in the production process, and actively recycle and reuse water resources to reduce the use of water resources.</p> <p>The company's vision is to "continue to develop innovative and energy-saving products, and become a reliable high-precision and low-energy automation key component enterprise."</p> <p>(2) Create a healthy green life:</p> <ol style="list-style-type: none"> i. Encourage colleagues to take the public transportation system and ride electric motorcycles to live a green life. ii. Continue to promote greening and landscaping tree planting and maintenance operations to create an ecologically diverse environment. 				

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(3) Energy Conservation Improvement Program Specific Results in 2023 :</p> <p>I. Invest 193.6 thousand to convert 228W lamps into 150W LED lamps, which can save 14,929 kWh of electricity per year.</p> <p>II. Invest 600 thousand to purchase an iron chip shredder, which will reduce the volume of iron chips by 50%, reduce the number of clearings per week, and each clearing distance is 20 kilometers, which can reduce the use of 1,066.67 liters of diesel per year.</p> <p>III. Invest NT\$3,150 thousand to purchase a plastic recycling machine that can recycle 3.18 metric tons of plastic per year.</p> <p>IV. Changing the 40HP of large ventilation equipment to 3 sets of 1.5HP negative pressure fans, which can save 159,010 kWh of electricity per year.</p> <p>V. Two 7.5HP air conditioners in factory. It were reduced from 60HZ to 40HZ, which can save 60,790 kWh of electricity per year.</p> <p>VI. The efficiency of the 7.5HP motor is 87% for the IE1 type and 91.7% for the IE3 type, saving a total of 2,629 kWh of electricity.</p> <p>VII. Use electronic invoicing to reduce paper usage and mail delivery carbon footprint.</p> <p>VIII. Carry out central air conditioning management, use energy-saving lighting and other measures to promote turning off lights at will to achieve energy conservation.</p>				
<p>8. Implementation of climate-related information</p> <p>(1) Describe the Board of Directors and management's oversight and governance of climate-related risks and opportunities.</p> <p>The Company's management department is responsible for managing the company's climate change mitigation and adaptation strategies and actions, analyzing and tracking climate change risks and opportunities, reporting the results of assessment and analysis, and taking necessary mitigation measures according to the degree of risk.</p> <p>(2) Describe how the identified climate risks and opportunities affect the business, strategy and finances (short, medium and long term).</p> <p>In order to analyze the impact of future climate change on APEX DYNAMICS.INC, APEX DYNAMICS.INC sets a baseline scenario in accordance with the TCFD framework to identify and analyze the short, medium and long-term climate risks and opportunities, climate mitigation strategies (transition risks), and climate adaptation strategies (physical risks) of the company's business scope, upstream and downstream, as well as the entire life cycle of assets.</p>				

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(3) Describe the financial impact of extreme weather events and transition actions</p> <p>I. The company produces products at different sites to reduce the impact of climate risk factors on the company. In addition, based on the results of the scenario analysis, self-risk taking capacity will be re-characterized and the loss of value caused by extreme climate risks will be monitored.</p> <p>II. In order to properly manage the risks related to extreme weather events and the transition to a low-carbon economy, we will incorporate the risks of climate change into operational decision-making, identify and manage risks, and face up to the crises of global warming and resource depletion, and make every effort to respond to the trend of energy conservation and carbon reduction, and carry out mitigation and adaptation actions.</p> <p>(4) Describe how the process of identifying, assessing and managing climate risks are integrated into the overall risk management system.</p> <p>The Company has established an organizational structure, policies and management norms for risk management, covering operational risks, legal and compliance risks, and environmental risks (including climate risks), taking into account environmental protection, social responsibility and corporate governance, and the Company's risk management policy has incorporated environmental risks (including climate risks), which means that the Company will integrate climate change identification, measurement and management processes into the whole Company's risk procedures.</p> <p>(5) If scenario planning analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and key financial impacts used should be described.</p> <p>In accordance with the TCFD goal of quantifying climate risks, the Company refers to the industrial risk assessment and economic situation analysis reports issued by well-known institutions at abroad, and incorporates the environmental and social risk factors of the industry into the consideration of the risk level of each industry, as well as the impact of environmental or social factors on the industry trend, and the risk cost of climate transition.</p> <p>(6) If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transformation risks.</p> <p>The Company's climate management targets are as follows: Short-term goal: Establish a mechanism to identify, measure and monitor climate risks. Mid-term goals: Strengthen the disclosure of climate-related risk indicators, set key indicators and mid-term goals for risk appetite, and strengthen the three lines of defense for risk management. Long-term goal: Continue to manage and monitor indicators and targets, and incorporate climate risk considerations into other risk management mechanisms.</p> <p>(7) If internal carbon pricing is used as a planning tool, the basis for price setting should be stated.</p> <p>The Company has not yet used internal carbon pricing as a planning tool.</p>				

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(8) If climate-related targets are set, information such as the activities covered, the scope of greenhouse gas emissions, the planning timeline, and the progress made in achieving them each year should be stated, and if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and quantity of certified emission reduction or renewable energy certificates (RECs) to be redeemed should be stated.</p> <p>The company's greenhouse gas emission reduction target is based on the actual situation to assess climate change and take relevant actions. By implementing the use of energy-saving equipment and actually using renewable energy, we set short-term goals with 2021 as the base year: short-term emission reduction in 2025. 1%, medium-term target: 3% emission reduction in 2030, long-term target: 5% long-term emission reduction in 2050.</p>				
<p>(9) Greenhouse gas inventory and conviction.</p> <p>According to the timeline plan for greenhouse gas inventory and verification issued by the competent authority, the Company shall apply the greenhouse gas inventory in the third stage (the inventory will be completed in 2016 and the verification will be completed in 2018), and the MILLENNIUM VEE HOTEL TAICHUNG (Subsidiary) shall apply the greenhouse gas inventory in the fourth stage (the inventory will be completed in 2017 and the verification will be completed in 2019).</p> <p>The implementation progress of the Company's greenhouse gases shall be submitted to the Board of Directors on a quarterly basis, and a greenhouse gas inventory shall be conducted every year, and the results of the inventory shall be reported to the Central Science Park Administration for archiving, and the relevant information shall be disclosed to the Market Observation Post System (MOPS).</p>				

3.4.6. Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>1.Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p>	√		(1) The company has formulated the "Code of Practice for Corporate Governance", "Code of Integrity Management" and "Code of Ethical Conduct", and formulated the "Operation Procedures and Guidelines for Integrity Management" in accordance with the Code of Integrity Management to ensure integrity management and The implementation of laws and regulations; in addition, for directors and managers, if any decision or transaction involves a conflict of interest, they are not allowed to participate in decision-making or voting based on the principle of avoiding interests.	None
<p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p>	√		(2) In order to prevent the occurrence of dishonesty, the company has formulated the "Internal Material Information Handling Procedures", "Integrity Operation Procedures and Behavior Guidelines", "Procedures for Preventing Insider Transaction Management" and "Management of Related Persons and Group Transactions". "Measures", etc., to standardize the standard operating procedures and guidelines for all stakeholders of the company on honesty.	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	√		(3) In order to implement the integrity management policy and actively prevent dishonest behavior, the Company conducts education and publicity on workplace integrity, human rights, fair treatment principles and prevention of internal lines for new employees when they report to work, and has the correct cognition and judgment ability of relevant laws and regulations and integrity behaviors to ensure the implementation of the integrity management policy. The training rate of 2023 has reached 100%, and we will continue to promote education and advocacy related to ethical management in the future. According to the internal control operation procedures stipulated by the company, internal control audits are conducted from time to time every year, and a mutual supervision and checks and balance mechanism is established.	None
2. Ethical Management Practice (1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	√		(1) The company has a rating system for suppliers and customers. All contracts signed will be reviewed by professional and authorized personnel, and the terms of honesty and behavior will be included as needed.	None
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board	√		(2) The company's management department is part-time unit to promote the operation of corporate integrity management, and is responsible for reporting	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?			to the board of directors at least once a year on the implementation of integrity management, and the latest report date is October 27, 2023. The implementation of corporate integrity management for the year, but the company continues to promote various integrity management plans in accordance with company policies, and promote integrity and integrity.	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	√		(3) For directors and managers, if there is a conflict of interest in any decision-making or transaction, they are not allowed to participate in decision-making or voting. In order to fulfill the supervisory responsibility, the company has established a sound internal system and established various organizational channels, such as the salary and compensation committee, Audit Committee, internal control, audit system, and document control system.	None
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	√		(4) The company has established an effective accounting system and internal control system, and reviews them at any time to ensure that the design and implementation of the system continue to be effective. In addition, the audit office of the company conducts internal audits from time to time, reports the audit results to the management and independent directors for review, and regularly reports the audit status to the audit committee and the board of	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	√		<p>directors.</p> <p>(5) The company regularly or irregularly promotes the company's philosophy of operating with integrity internally., and requires colleagues to follow the example, the promotion of publicity training is as follows:</p> <ol style="list-style-type: none"> 1. The company's various codes of conduct or handling procedures and guidelines for preventing honest behavior are published on the company's internal network for colleagues to check and understand at any time. 2. Education and training: Education and training for new employees are provided to colleagues on the principles of honest management and fair treatment. All employees are required to attend courses and have a correct understanding and judgment of relevant laws and integrity behaviors to ensure the implementation of integrity management policies. A total of 161 people participated in the company's 2023 course. 3. On the 1st of each month, the Company notifies directors and managers by e-mail to remind insiders of the precautions and publicize relevant laws and regulations, so as to strengthen their awareness of compliance with laws and regulations. Continuing education courses for directors are planned every year to assist directors in complying with laws and regulations, and all 7 directors in 2023 have completed continuing education hours. 	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>3.Implementation of Complaint Procedures</p> <p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?</p>	√		<p>(1) The company has formulated the "Implementation Measures for the Reporting System" on February 23, 2024, and has set up a chairman's suggestion box and a stakeholder contact window on the company website at the factory to accept complaints and reports from employees and the public, including a hotline. It serves as a channel for complaints and reports to require relevant stakeholders of the company to comply; in addition, the identity of the whistleblower is kept confidential to protect the whistleblower from being improperly dealt with due to the reporting. The relevant reporting system has been disclosed on the company's website. Reporting unit: Management Department of the Company</p>	None
<p>(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?</p>	√		<p>(2) The company has certain standard operating procedures and a confidentiality agreement for the investigation of the reported matters.</p>	None
<p>(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?</p>	√		<p>(3)The company's corporate integrity code and related regulations clearly stipulate that the identity of the whistleblower will be kept confidential, and the whistleblower will not be improperly dealt with due to the whistleblower.</p>	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		The company has established a website and disclosed the "Code of Integrity Management", and announced and updated relevant information on MOPS.	None
<p>5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation:</p> <p>The Company complies with the Company Act, the Securities and Exchange Act, IPO and OTC related regulations and laws as the foundation of integrity management, the Board of Directors has approved the formulation of the Code of Integrity Management and the Integrity Management Operating Procedures and Conduct Guidelines on March 30, 2021, and the Board of Directors approved the revision of the Integrity Management Operating Procedures and Conduct Guidelines on February 24, 2023. The Company regularly reviews the implementation and makes improvements accordingly, and there have been no major differences in implementation so far.</p>				
<p>6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies:</p> <p>(1) The Company defines the position as an important and honest position, and the supervisor of the position needs to conduct business conduct with high ethical standards in order to protect the company and individuals, and sets relevant operational requirements for his position. The company defines it as an important and honest position, and its supervisors need to engage in business conduct with high ethical standards in order to protect the company and individuals, and formulate relevant operating standard requirements for their positions.</p> <p>(2) Regularly hold integrity principle publicity, through electronic bulletin boards and other means, so that employees can be familiar with the company's internal integrity culture, to ensure that all employees will implement integrity in their work.</p> <p>(3) In order to implement the honest management policy and actively prevent dishonest behaviors, the company has arranged education and training courses in 2023, including promoting the company's core values of honest management, prohibiting dishonest behaviors, preventing insider trading regulations, and handling major internal information, etc. All employees are required to attend the course. In addition, when the company distributes salary slips every month, it simultaneously publicizes and implements the integrity management policy, internal major information processing, information security and other matters, at least 12 times a year.</p>				

3.4.7. If the company has formulated corporate governance codes and related regulations, it shall disclose its inquiry methods:

3.4.7.1. Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies:

The company has formulated the "Articles of Association", "Procedures for Acquisition and Disposal of Assets", "Methods for Loaning Funds to Others", "Management Measures for Endorsement Guarantees", "Standards for the Board of Directors", "Organizational Regulations for the Salary and Remuneration Committee", " Organizational Regulations of the Audit Committee, Rules of Procedures for Shareholders' Meetings, Procedures for Director Selection and Appointment, Rules for the Scope of Responsibilities of Independent Directors, Measures for Performance Evaluation of the Board of Directors, Risk Management Policies and Procedures, and Operational Procedures for Preventing Insider Trading ", "Code of Practice for Corporate Governance", "Code of Practice for Sustainable Development", "Code of Integrity in Operations" and "Code of Ethical Conduct" and other relevant regulations.

3.4.7.2. The way to query:

It can be downloaded from the TWSE MOPS website and enter "Corporate Governance" under "Corporate Governance" or "Corporate Governance" under the "Investor".

3.4.8. Other important information sufficient to enhance the understanding of the operation of corporate governance shall be disclosed together:

3.4.8.1. The situation of company auditors obtaining relevant certificates:

- (1) Certified Internal Auditor: 1 person.
- (2) Internal Control and Audit, test passed certificate: 1 person.

3.4.8.2. Managers participate in advanced training and training related to corporate governance: January 2023 to March 2024

- (1) Training status of Directors, Independent Directors and Corporate Governance Officer

Title	Name	Date	Organizer	Course	Training hours
President	Chang, Chung-Hsing	October 27, 2023	Taiwan Corporate Governance Association	How corporate governance personnel promote the operation of the board of directors and functional committees	3H
Director	Chang, Yao-Tung				
Director	Huang, Yu-Wen				
Director	Hsu, Che-Chia				
Independent Director	Cheng, Wen-Cheng			How corporate governance personnel help companies strengthen corporate governance and protect shareholders' rights and interests	3H
Independent Director	Chuang, Bor-Nian				
Independent Director	Tsai, Yu-Ching				

(2) Training status of Managers and Corporate Governance Officer

Title	Name	Date	Organizer	Course	Training hours
Finance & Accounting Supervisor/ Corporate Governance Officer	Hung, Hsiu-Min	July 24, 2023 ~ July 25, 2023	Accounting Reserch and Development Foundation	Issuer Securities Firm Stock Exchange Accounting, Supervisor-Refresher course	12H
		October 27, 2023	Taiwan Corporate Governance Association	How corporate governance personnel promote the operation of the board of directors and functional committees	3H
		October 27, 2023	Taiwan Corporate Governance Association	How corporate governance personnel help companies strengthen corporate governance and protect shareholders' rights and interests	3H
		November 29, 2023	The Institute of Internal Auditors, Chinese Taiwan	Analysis of regulations and key points in auditing the board of directors and functional committees	6H
		December 7, 2023	The Institute of Internal Auditors, Chinese Taiwan	How auditors detect financial statement fraud	6H
Audit Supervisor	Lin, Fang-Jung	February 7, 2023	The Institute of Internal Auditors, Chinese Taiwan	Policy analysis of "self-preparation of financial statements" and "sustainability reporting" and key discussions on internal audit and internal control practices	6H
		September 8, 2023	The Institute of Internal Auditors, Chinese Taiwan	How to use big data to strengthen audit operations	6H

3.4.9. The implementation status of the internal control system should disclose matters:

3.4.9.1. Internal Control Statement

APEX DYNAMICS, INC.

Statement of Internal Control System

Date: February 23, 2024

The company's internal control system for 2023, based on the results of self-assessment, hereby declares as follows:

- 1.The company knows that it is the responsibility of the board of directors and managers of the company to establish, implement and maintain an internal control system, and the company has already established such a system. Its purpose is to achieve the goals of operation effectiveness and efficiency (including profit, performance, and asset security protection, etc.), report reliability, timeliness, transparency, and compliance with relevant norms and compliance with relevant laws and regulations, and provide reasonable ensure.
- 2.The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may vary change. However, the company's internal control system has a self-monitoring mechanism. Once a defect is identified, the company will take corrective action.
- 3.The company judges whether the design and implementation of the internal control system are effective based on the items for judging the effectiveness of the internal control system stipulated in "Regulations Governing Establishment of Internal Control Systems by Public Companies". The internal control system judgment item adopted by "Regulations Governing Establishment of Internal Control Systems by Public Companies" is to divide the internal control system into five components according to the process of management control: (1.) Control environment, (2.) Risk assessment, (3.) Control operations, (4.)Information and communication, and (5.) Supervision operations. Each constituent element in turn includes several items. Please refer to the regulations for the aforementioned items.
- 4.The company has adopted the above-mentioned internal control system to judge projects and evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results in the preceding paragraph, the company believes that the company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2023, includes understanding the effectiveness of operations and the degree to which efficiency goals are achieved, reports are reliable, Timely, transparent, and compliance with relevant norms and relevant laws and regulations, the design and implementation of relevant internal control systems are effective, which can reasonably ensure the achievement of the above goals.
6. This statement will become the main content of the company's annual report and prospectus, and will be made public. If the above-mentioned disclosed content contains falsehood, concealment and other illegal matters, it will involve the laws of Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act. responsibility.
7. This statement was approved by the company's board of directors on February 23, 2024. Among the 7 directors present, none of them held any objection, and all agreed with the content of this statement, and hereby declare.

APEX DYNAMICS, INC.

President: Chang, Chung-Hsing

General manager: Kuo, Chung-Che

3.4.9.2. Those who entrust an accountant to audit the internal control system shall disclose the accountant's audit report: None.

3.4.10. In the most recent year and as of the publication date of the annual report, if the company and its internal personnel have been punished according to law, or the company has punished its internal personnel for violating the provisions of the internal control system. Its punishment content, main deficiencies and improvement situation: None.

3.4.11. Important resolutions of the shareholders' meeting and the board of directors in the most recent year and up to the date of publication of the annual report:

3.4.11.1. Important Resolutions of the Shareholders' Meeting

Date	Shareholders Meeting	Contents of the Resolution	Execution situation
May 26, 2023	Annual Shareholders' Meeting	2022 Annual Business Report and Financial Statements.	The voting results were 99.58% in favor, and the approval of the 2022 annual business report and financial statements was approved.
		Election of the ninth session of directors (including independent directors).	According to the election results, the list of elected directors is Chang, Chung-Hsing, Chang, Yao-Tung, Huang, Yu-Wen, Hsu, Che-Chia. The list of elected independent directors is Chuang, Bor-Nian, Tsai, Yu-Ching, Cheng, Wen-Cheng
		Lifting the non-competition restrictions imposed on the company's new directors.	The voting result was 99.42% in favor of lifting the non-competition restrictions of the company's new directors.

3.4.11.2. Major Resolutions of Board Meetings

Date	Major Resolutions	Resolution situation
February 24, 2023	<p>The first meeting of the board in 2023, the 19th meeting of the eighth session.</p> <ol style="list-style-type: none"> 1. 2022 self-assessment report on internal control system and statement of internal control system. 2. The 2022 annual visa accountant public fee, accountant professional and independent assessment review case. 3. The company's 2022 annual business report and financial statements. 4. The company's 2022 employee remuneration and director remuneration distribution plan. 5. The company's 2022 surplus distribution plan. 6. The election of the ninth session of directors (including independent directors). 7. Accept cases related to the nomination of directors (including independent directors). 8. The board of directors intends to nominate candidates for directors (including independent directors). 9. Lifting the non-competition restrictions imposed on the company's new directors. 10. The Company's Salary Structure and Standards for Directors and Managers in 2022 11. The company applies to E.SUN Bank for the renewal of the short-term credit line. 12. The company applied for a short-term credit line renewal plan from Mega Bank. 13. Revision of the company's "Internal Material Information Processing Procedures".. 14. Revision of the company's "Integrity Management Operating Procedures and Conduct Guidelines". 15. Matters related to the company's 2023 regular shareholders' meeting. 	<p>Except for the directors who did not participate in the discussion and voting and who were withdrawn in accordance with the law, the resolution was passed without objection from the other directors present. In addition, the 4th, 5th and 14th cases are submitted to the shareholders' regular meeting report, the 3rd case is submitted to the shareholders' regular meeting for recognition, the 6th case is submitted to the shareholders' regular meeting for election, and the 9th case is submitted to the shareholders' regular meeting for discussion.</p>

Date	Major Resolutions	Resolution situation
April 28, 2023	<p>The second meeting of the board in 2023, the 20th of the 8 session</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. 2023 First Quarter Financial Statements. 2. The company has set up a corporate governance supervisor. 3. Revision of the Company's "Code of Corporate Governance Practice". 4. Revision of the company's "Risk Management Policies and Procedures". 5. Revision of the Company's "Regulations on the Scope of Responsibilities of Independent Directors". 	<p>After the chairman consulted all the directors present, the resolution was passed without objection.</p>
May 26, 2023	<p>The third meeting of the board in 2023, the 1th of the 9 session</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Electing the President of the Ninth Board of Directors. 2. Appointment of members of the second salary and remuneration committee. 	<p>In addition to legally withdrawing from the board of directors who did not participate in the discussion and voting, the chairman of the meeting unanimously elected Director Chang, Chung-Hsing as chairman, and the meeting members unanimously elected Cheng Wen-Cheng as the convenor and chairman of the remuneration committee of the board of directors for the second time.</p>
July 28, 2023	<p>The fourth meeting of the board in 2023, the 2th of the 9 session</p> <p>Proposal:</p> <ol style="list-style-type: none"> 1. Second quarter 2023 financial statement case. 2. Case of the company's capital loan to its subsidiary. 3. Formulated the company's "pre-approval of accounting firm non-confidence service policy" case. 4. Case of changes in the company's organizational structure. 	<p>After the chairman consulted all the directors present, the resolution was passed without objection.</p>

Date	Major Resolutions	Resolution situation
October 27, 2023	<p>The fifth meeting of the board in 2023, the 3th of the 9 session</p> <ol style="list-style-type: none"> 1. Formulate the company's 2024 audit plan. 2. Formulate the company's 2024 operating plan and budget. 3. Financial Statements for the Third Quarter of 2023. 4. Remuneration payment case for the company's chairman and directors. 5. The company's corporate governance manager handles the case of changes. 	<p>Except for the directors who did not participate in the discussion and voting and who were withdrawn in accordance with the law, the resolution was passed without objection from the other directors present.</p>
February 23, 2024	<p>The first meeting of the board in 2024, the 4th of the 9 session</p> <ol style="list-style-type: none"> 1. Self-assessment report on the internal control system and written statement on the internal control system for 2023. 2. The 2023 chartered public accountant, public-funded and accountant professional and independent assessment review case. 3. The company's 2023 business report and financial statements 4. Annual Employee Remuneration and Director Remuneration Distribution Report for 2023. 5. The company's 2023 directors' remuneration report. 6. The Company's 2023 Earning Distribution Proposal. 7. Annual Related Party Transaction Report for 2023. 8. The company's salary structure and standards for directors and managers in 2023. 9. Salary adjustment case for promotion of deputy general manager of the company. 10. The company applied for a short-term credit line renewal case from E.SUN Bank. 11. The company applied for a short-term credit line renewal case from Mega Bank. 12. Formulate the company's "Implementation Measures for the Reporting System". 13. The company has established a " Sustainable Development Group ". 14. Matters related to the company's 2024 annual shareholders' meeting. 	<p>Except for the directors who did not participate in the discussion and voting and who were withdrawn in accordance with the law, the resolution was passed without objection from the other directors present. In addition, the 4th, 5th, 6th and 7th cases were submitted to the shareholders' regular meeting for report, and the 3rd case was submitted to the shareholders' regular meeting for approval.</p>

3.4.12. In the most recent year and as of the date of publication of the annual report, if directors or supervisors have different opinions on important resolutions passed by the board of directors and there are records or written statements, the main contents are: None.

3.4.13. Summary of the resignations and dismissals of the company's chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, Corporate Governance Officer and R&D supervisor in the most recent year and as of the date of publication of the annual report:

Title	Name	Date of appointment	Date of resignation	Reason
C.E.O	Chang, Chung-Hsing	May 19, 2007	July 21, 2023	The company complies with the provisions of "Article 4 of the Key Points to be observed in the establishment and exercise of powers of the board of directors of listed companies". President Chang, Chung-Hsing ceases to hold the concurrent position of CEO in order to be in line with the spirit of corporate governance. The company's cross-department communication and command and coordination are handled by the chairman and the general manager. Managers improve the division of power and responsibilities.
Corporate Governance Officer	Kuo, Chung-Che	April 28, 2023	October 27, 2023	The duties were adjusted. The original general manager Kuo, Chung-Che was appointed to serve concurrently, and the financial director Hung, Hsiu-Min was transferred to serve concurrently.

3.5. Information on the professional fees of the attesting CPAs Information on CPA (External Auditor) Professional Fees

3.5.1. The company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services, and given any of the following conditions, shall disclose information as follows:

Information on CPA (External Auditor) Professional Fees

Unit: NT\$1,000

Name of Accounting Firm	Period covered by the CPA audit	Audit period	Audit fees	Non-audit fees	Total	Note
KPMG Taiwan	Chang, Tsu-Hsin	January 1, 2023	2,000	0	2,000	
	Chen, Cheng-Hsueh	~ December 31, 2023				

3.5.1.1. If the accounting firm is changed and the audit fee paid in the replacement year is less than the audit expense in the previous year, the amount and reason of the audit expense before and after the change shall be disclosed: None.

3.5.1.2. If the audit expense has decreased by more than 15% compared with the previous year, the amount, proportion and reason of the audit expense reduction shall be disclosed: None.

3.5.2. The professional fees for auditing services referred to in the preceding item means the professional fees paid by the company to certified public accountants for auditing, review, and secondary reviews of financial reports and for financial forecast reviews

3.6. Information on replacement of certified public accountant

In conjunction with KPMG Taiwan's internal accountant rotation, starting from the first quarter of 2023, the original accountants Chen,Cheng-Hsueh will be replaced by accountants Chang and Tsu-Hsin; the counter-signing accountants Chang,Tsu-Hsin will be replaced by Chen, Cheng-Hsueh Accountant.

3.7. The company's Prident, General Manager, Manager in charge of financial or accounting affairs, who has worked in the certified public accountant's firm or its affiliated companies within the last year:

None.

3.8. Recent years and up to the publication date of the annual report , the changes in share collateralization of Shareholding of Directors , Managers, Shareholders holding more than 10% of the shares:

3.8.1. Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders

Unit: share

Job Title (Note.1)	Name	Fiscal year: 2023		Current fiscal year as of March 26, 2024	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
President	Chang, Chung-Hsing	35,900	0	0	0
Director	Chang, Yao-Tung	0	0	0	0
Director	Huang, Yu-Wen	0	0	0	0
Director	Hsu, Che-Chia	0	0	0	0
Independent Director	Kao, Cheng-Shu	0	0		
Independent Director	Cheng, Wen-Cheng	0	0	0	0
Independent Director	Chuang, Bor-Nian	0	0	0	0
Independent Director	Tsai, Yu-Ching	0	0	0	0
General Manager	Kuo, Chung-Che	0	0	0	0
Production Manager	Huang, Jen-Kuei	0	0	0	0
Production Manager (The third factory)	Lin, Wen-Yen	0	0	0	0
Deputy General Manager of Sales Department	Chao, Shu-Fen	(5,000)	0	0	0
Audit Supervisor	Lin, Fang-Jung	0	0	(5,000)	0
Finance&Accounting Supervisor	Hung, Hsiu-Min	(13,200)	0	0	0
Major Shareholder	Hsing-Chang Investment Co., LTD	0	0	0	0

Note.1 : Independent Director Kao, Cheng-Shu was dismissed on May 26, 2023, and Independent Director Cheng, Wen-Cheng was re-appointed on May 26, 2023.

3.8.2. Information on Transfers of Shareholding

Name (Note.1)	Reason for change in pledge status	Date of change	Coounterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	No. of shares	Transaction price
Hung, Hsiu-Min	Disposal	March 6, 2023	Liu, ○ ○	Children of the company's Accounting Supervisor	13,200	-
Chang, Chung-Hsing	Disposal	December 12, 2023	Chang, ○ ○	Children of the company's President	11,100	-

Note 1: Fill in the names of the company's directors, supervisors, managers and shareholders holding more than 10% of the shares.

3.8.3. The relative person of the pledge of shares is related person information:
None.

3.9. Relationships Among the Top 10 Shareholders

March 26, 2024 ; unit: share; %

Name (Note.1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Note
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Hsing-Chang Investment Co., LTD.	34,142,162	42.59	—	—	—	—	Chang, Chung-Hsing	Representative	—
Chang, Chung-Hsing	29,023,554	36.20	238,800	0.30	34,142,162	42.59	Hsing-Chang Inv estment Co., LTD. Chang,Yu-Chi Chang, Yi	Representative Father and Daughter Father and Son	—
Chang,Yu-Chi	1,418,395	1.77	—	—	—	—	Chang, Chung-Hsing Chang, Yi	Father and Daughter Sister and Brother	—
Chang, Yi	1,278,101	1.59	—	—	—	—	Chang, Chung-Hsing Chang,Yu-Chi	Father and Son Sister and Brother	—
Chang, Yao-Tung	495,017	0.62	100,976	0.13	—	—	None	None	—

Name (Note.1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Note
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Taiwan Life Insurance Co., Ltd. Representative: Cheng,Tai-Ke	457,000	0.57	—	—	—	—	None	None	—
Chang,Chih-Hao	429,000	0.54	—	—	—	—	None	None	—
Tsai,Yun-Cheng	309,785	0.39	—	—	—	—	Tsai, Min-Min	sisters	—
Tsai,Min-Min	309,000	0.39	—	—	—	—	Tsai, Yun-Cheng	sisters	—
Cheng, Shu-Fen	303,880	0.38	—	—	—	—	None	None	—

Note.1 : All the top ten shareholders should be listed, and the names of legal person shareholders and representatives should be listed separately for those who are legal person shareholders.

3.10. The number of shares held by the company, its directors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested enterprise shall be combined to calculate the comprehensive shareholding ratio:

Total Ownership of Shares in Investee Enterprises

Unit: share; %

Investee enterprise (Note)	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
MILLENNIUM VEE HOTEL TAICHUNG	70,000,000	100%	-	-	70,000,000	100%

Note: It is the company Investments accounted for using equity method

4. Information on capital raising activities

4.1. Capital and Shares

4.1.1. Capital

4.1.1.1. Type of Stock

March 26, 2024

Type of stock	Authorized Capital			Note
	Outstanding shares (Note)	Unissued shares	Total	
Common Stock	80,171,351 shares	19,828,649 shares	100,000,000 shares	

Note : All issued shares of the Company are listed stocks.

4.1.1.2. Sources of Capital

Unit: 1000 shares; NT\$1000

Date Month/Year	Issued Price (NT\$)	Authorized capital		Paid-in capital		Note		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of Capital	Capital paid in by assets other than cash	Other
10/1999	10	100	1,000	100	1,000	Set up share capital	None	Note.1
05/2000	10	10,000	100,000	10,000	100,000	Debt equity swap 99,000 thousand	Creditor's rights serving as payment	Note.2
11/2001	10	21,000	210,000	21,000	210,000	Debt equity swap 110,000 thousand	Creditor's rights serving as payment	Note.3
03/2003	10	35,100	351,000	35,100	351,000	Cash capital increase 141,000 thousand	None	Note.4
04/2003	20	36,687	366,870	36,687	366,870	Cash capital increase 15,870 thousand	None	Note.5
07/2006	10	60,000	600,000	47,693	476,931	Turn profits into capital increase 110,061 thousand	None	Note.6
04/2007	40	60,000	600,000	54,853	548,531	Cash capital increase 71,600 thousand	None	Note.7
06/2008	45	60,000	600,000	60,000	600,000	Cash capital increase 51,469 thousand	None	Note.8
01/2009	10	60,000	600,000	52,641	526,414	Consolidated capital reduction 73,586 thousand	None	Note.9
05/2009	30	80,000	800,000	61,641	616,414	Debt equity swap 90,000 thousand	Creditor's rights serving as payment	Note.10
07/2009	40	80,000	800,000	72,928	729,284	Cash capital increase 38,900 thousand	None	Note.11
	10					Turn profits into capital increase 73,970 thousand	None	

Date Month/Year	Issued Price (NT\$)	Authorized capital		Paid-in capital		Note		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of Capital	Capital paid in by assets other than cash	Other
05/2012	—	100,000	1,000,000	72,928	729,284	Increase authorized share capital	None	Note.12
05/2022	200	100,000	1,000,000	80,171	801,714	Cash capital increase 72,430 thousand	None	Note.13

Note.1 : 2009.10.26 Ministry of Economic Affairs (088) Business, letter No.088972958

Note.2 : 2000.05.11 Ministry of Economic Affairs (089) Business, letter No.089114084

Note.3 : 2001.11.28 Ministry of Economic Affairs (90) Business, letter No.09001466480

Note.4 : 2003.03.05 Authorized by the Ministry of Economic Affairs Business, letter No.09201061520

Note.5 : 2003.04.18 Authorized by the Ministry of Economic Affairs Business, letter No.09201114980

Note.6 : 2006.07.20 Authorized by the Ministry of Economic Affairs Business, letter No.09532539390

Note.7 : 2007.04.25 Authorized by the Ministry of Economic Affairs Business, letter No.09601088830

Note.8 : 2008.06.02 Authorized by the Ministry of Economic Affairs Business, letter No.09701126540

Note.9 : 2009.01.19 Authorized by the Ministry of Economic Affairs Business, letter No.09801012090

Note.10 : 2009.05.07 General Chamber of Commerce of the Republic of China No.0980008838

Note.11 : 2009.07.22 General Chamber of Commerce of the Republic of China No.0980014388

Note.12 : 2012.05.31 General Chamber of Commerce of the Republic of China No.1010012473

Note.13 : 2022.05.19 General Chamber of Commerce of the Republic of China No.1110011751

4.1.1.3. Information about the comprehensive reporting system : Not applicable.

4.1.2. Shareholder Composition

March 26, 2024; unit: person; share; %

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	-	8	39	3,711	25	3,783
No. of shareholders	-	524,000	35,444,956	43,701,264	501,131	80,171,351
Shareholding ratio	-	0.65	44.21	54.51	0.63	100.00

Note : The company is not a foreign issuer, so there is no need to disclose the shareholding ratio of mainland investors.

4.1.3. Situation of shareholding dispersion

4.1.3.1. Distribution of Shareholding: (Par value per share - NT\$10)

March 26, 2024 ; unit: person; share; %

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	1,418	146,709	0.18
1,000 to 5,000	2,067	3,280,575	4.09
5,001 to 10,000	126	1,016,658	1.27
10,001 to 15,000	43	562,286	0.70
15,001 to 20,000	33	600,503	0.75
20,001 to 30,000	25	651,434	0.81
30,001 to 40,000	9	317,764	0.40
40,001 to 50,000	13	620,814	0.77
50,001 to 100,000	18	1,324,943	1.65
100,001 to 200,000	15	2,108,971	2.63
200,001 to 400,000	9	2,297,465	2.87
400,001 to 600,000	3	1,381,017	1.72
600,001 to 800,000	-	-	-
800,001 to 1,000,000	-	-	-
1,000,001 or more	4	65,862,212	82.16
Total	3,783	80,171,351	100.00

4.1.3.2. Preferred stock: None

4.1.4. List of major shareholders

March 26, 2024 ; unit: share; %

Ranking	Shareholder name	Number of Shares Held	Shareholding Ratio
1	Hsing-Chang Investment Co., Ltd.	34,142,162	42.59
2	Chang, Chung-Hsing	29,023,554	36.20
3	Chang, Yu-Chi	1,418,395	1.77
4	Chang, Yi	1,278,101	1.59
5	Chang, Yao-Tung	495,017	0.62
6	Taiwan Life Insurance Co., Ltd.	457,000	0.57
7	Chang, Chih-Hao	429,000	0.54
8	Tsai, Yun-Cheng	309,785	0.39
9	Tsai, Min-Min	309,000	0.39
10	Cheng, Shu-Fen	303,880	0.38

4.1.5. Market Price, Net Worth, Earnings, and Dividends per Share in the last two years

Unit: NT\$; Thousand shares

Item		Year	2022	2023	Current year to 2024 March 31
Market Price Per Share	Highest		248.00	286.50	272.50
	Lowest		165.00	183.00	225.00
	Average		201.23	213.55	249.10
Net worth per share per Share	Before Distribute (Note 1)		122.06	122.95	Not Applicable
	After Distribute (Note 2)		112.06	112.95	
Earnings Per Share	Weighted Average Number of Shares		77,711	80,171	
	Earnings Per share		14.47	10.89	
Dividend Per Share	Cash Dividend (NT\$)		10.00	10.00	
	Issuance of Bonus Shares	Stock Dividend from Retained Earnings	0	0	
		Stock Dividend from Additional paid-in capital	0	0	
	Dividends in Arrears		0	0	
Return On Investment Analysis	Price to Earning Ratio (Note 3)		13.91	19.61	
	Ratio of Dividends (Note 4)		20.12	21.36	
	Dividend Yield (Note 5)		0.05	0.05	

4.1.6. Dividend Policy and Implementation Status

4.1.6.1. Dividend Policy

If there is a surplus in the company's annual final accounts, it 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 shareholders' interests, Xuheng dividends, and the company's long-term financial planning. In accordance with Article 240 of the Company Act, the Company authorizes the Board of Directors to distribute dividends and bonuses or to distribute dividends and bonuses or Company Act 240 with the attendance of more than two-thirds of the directors and the resolution of more than half of the directors present. All or part of the legal reserve and capital surplus stipulated in Paragraph 1 of the Article shall be paid in cash, and report to the shareholders meeting. The total amount of dividends for shareholders is the total amount of distributable surplus that is added to the undistributed surplus at the beginning of the period after paying income tax according to law, making up for losses in previous years, withdrawing 10% as a legal reserve, and withdrawing or reversing the special surplus reserve, and choose a ratio within the range of 2.5% to 15% to prepare a profit distribution shareholder dividend and bonus proposal, in which the proportion of shareholder cash dividend distribution is not less than 50% of the total shareholder dividend.

4.1.6.2. Implementation status:

The company's 2023 annual profit distribution was approved by the resolution of the board of directors on February 23, 2024. The distribution of cash dividends is NT\$10 per share, calculated based on earnings distribution of NT\$8 per share and capital surplus of NT\$2 per share, NT\$801,714 thousand, expected to be issued on April 25, 2024.

4.1.7. The impact of the gratuitous allotment of shares proposed at this shareholders' meeting on the company's operating performance and earnings per share: Not applicable.

4.1.8. Compensation of Employees, Directors and Supervisors

4.1.8.1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation:

If the company makes annual profits, no less than 0.5% (inclusive) shall be appropriated as employee remuneration; and no more than 1% (inclusive) shall 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 in the preceding paragraph may include the employees of the controlling or subordinate 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.

4.1.8.2. The basis for the estimation of the amount of employee and director remuneration estimated in the current period, the basis for calculating the number of shares of employee remuneration based on stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated amount:

The employee's remuneration and director's remuneration are estimated based on the current year's profit and within the percentage range stipulated in the articles of association. If there is still a change in the amount after the annual financial report is released, it will be treated as a change in accounting estimate and will be adjusted and recorded in the next year.

4.1.8.3. The board of directors approved the situation of excessive distribution of remuneration:

(1) The amount of employee remuneration and director remuneration distributed in cash or stock. If there is any discrepancy from the estimated amount of recognized expenses in the year, the discrepancy, reason and treatment shall be disclosed:

The resolution of the board of directors of the company on February 23, 2024 approved the allocation of NT\$5,513 thousand for employees and NT\$4,522 thousand for directors in 2023, a total of NT\$10,035 thousand which was distributed in cash and had no relationship with the estimated amount. significant difference.

(2) The amount of employee remuneration distributed by stock and its proportion to the total after-tax net profit and total employee remuneration of Parent Company Only or individual financial reports in the current period: None.

4.1.8.4. The actual distribution of employee and director remuneration in the previous year (including the number of shares distributed, amount, and stock price), and any discrepancy between the actual distribution of employee and director remuneration and the recognized employee and director remuneration, the difference, reason, and handling situation shall be stated:

On February 24, 2023, the company's board of directors resolved to distribute NT\$7,009 thousand in employee remuneration and NT\$4,522 thousand in directors' compensation for 2022, totaling NT\$11,531 thousand which was distributed in cash and was not significantly different from the estimated amount. difference.

4.1.9. The company buys back the company's shares:

4.1.9.1. Completed execution: None.

4.1.9.2. In progress: None.

4.2. Corporate bond handling status: None.

4.3. Handling status of special shares: None.

4.4. Handling of Overseas Depositary Receipts: None.

4.5. Handling of employee stock option certificates:

- 4.5.1. The company's employee stock option certificates that have not yet expired shall disclose the handling status as of the publication date of the annual report and the impact on shareholders' rights and interests: None.
- 4.5.2. Accumulated until the date of publication of the annual report, the managers who obtained the employee stock option certificate and the names of the top ten employees who obtained the certificate and the number of shares that can be subscribed, and the status of acquisition and subscription: None.

4.6. Handling of new shares with restricted employee rights:

- 4.6.1. For new shares that restrict employee rights that have not fully met the vested conditions, the status of the handling as of the date of publication of the annual report and the impact on shareholders' rights and interests should be disclosed: None.
- 4.6.2. Accumulated until the date of publication of the annual report, managers who acquired new shares with restricted employee rights and the names and acquisition status of the top ten employees who acquired new shares: None.

4.7. Handling of mergers and acquisitions or transfer of shares from other companies to issue new shares:

None.

4.8. Implementation of the fund utilization plan:

None.

5. Overview of operations

5.1. Business content

5.1.1. Business Scope :

5.1.1.1. The main business content of the company:

It is mainly engaged in the manufacture, research and development and sales of mechanical transmission components such as gearbox. Among them, the gearbox mainly produces planetary gearbox. In addition, it invested and operated the MILLENNIUM VEE HOTEL TAICHUNG, which belongs to the hotel industry and mainly provides room and catering services.

5.1.1.2. Main products and operating ratio:

Unit: NT\$1,000;%

Main products (Service)	Year	2023	
		Sales Amount	Operating ratio
Gearbox		1,961,424	73.00
Room and Catering Services		521,882	19.42
Other		203,650	7.58
Total		2,686,956	100.00

5.1.1.3. The company's current product (service) items:

(1) APEX DYNAMICS, INC.

Item	Illustrate
Gearbox	A mechanical transmission mechanism used to reduce motor speed, increase torque and increase output torque.

(2) MILLENNIUM VEE HOTEL TAICHUNG

Item	Illustrate
Room and Catering Services	MILLENNIUM VEE HOTEL TAICHUNG and its restaurants.

5.1.1.4. New products (services) planned to be developed:

- (1) Shaft type input gearbox
- (2) More flexible gearbox
- (3) Gearbox with high radial force
- (4) High precision gears and racks
- (5) Backlash-Free Servo Coupling – Disc Type

5.1.2. Industry Overview:

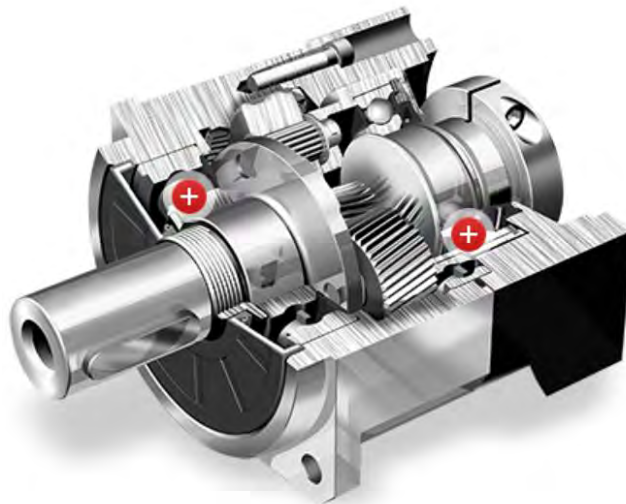
5.1.2.1. Current status and development of the industry

(1) Gearbox and mechanical transmission components industry

Gearbox is a precision mechanical structure composed of mechanical components such as gears, gearboxes, shafts and bearings. It is a transmission device connecting power motors and working machines. It is used to reduce speed, increase torque and increase output torque. Through the function of the gearbox, the low-wattage motor can achieve high torque performance. Compared with the general high-torque motor, which is bulky and inconvenient, the automatic equipment and machine tool equipped with a gearbox can have the advantage of smaller size.

There are many types of gearbox, which can be divided into precision type and standard type according to their precision, and can be divided into planetary gearbox (Figure 1), right angle gearbox, parallel shaft gearbox, worm gearbox according to transmission mode, installation method and composition structure, etc. gearbox, RV cycloid gearbox and harmonic gearbox, etc., have different uses. Among them, the planetary gearbox mainly takes advantage of its compact structure, small return clearance, high output torque, etc. It is suitable for mechanical operation of XYZ axis Cartesian coordinates, and is widely used in semiconductors, panels, biotechnology, medical, aerospace, electronics, etc. Industrial and traditional industries and other automation equipment and machine tools.

Figure 1: Structural diagram of planetary gearbox



Source of information: provided by the company

The changes in the company's operations are closely related to the automation equipment and machine tool industries. The industry operation risks of the automation equipment industry and the machine tool industry to which the company belongs are explained as follows:

A. Overview of Automation Equipment Industry

Industrial automation refers to the combination of various types of computers, application software, and communication technologies to control multiple equipment devices, coordinate the actions of each equipment or each process, correct errors and inspect quality, so that the production process can be automatically realized according to the requirements of the operator. , and minimize human operations, with the aim of replacing or saving labor, increasing productivity, improving quality and efficiency.

After Industry 4.0 was proposed by Germany, it has become the development focus of the global manufacturing industry. The key to its development lies in the system integration of digital information, including the use of automation equipment, communication between systems and machines, and the construction of smart factories to improve production capacity and flexibility to accelerate Product innovation meets the needs of customization, and therefore drives global automation to accelerate. For example, major industrial countries such as Germany, the United States, Japan, and China have successively proposed relevant policies for smart manufacturing in order to continuously promote industrial and economic development. With smart production With the formation of the trend, the demand for transmission components is also increasing day by day. It is expected that under the global trend of industrial 4.0 smart manufacturing, it will drive the demand for industrial robots and other automation equipment and its transmission components related supply chain to increase.

China is the main production base of the global manufacturing industry. In recent years, China is facing an increasingly serious shortage of workers, and labor costs such as labor wages and social welfare insurance have increased, resulting in rising manufacturing costs. Therefore, the global manufacturing industry is actively transforming and introducing various automation equipment. Introduce production line operation to improve production efficiency to replace the need for a large number of manpower.

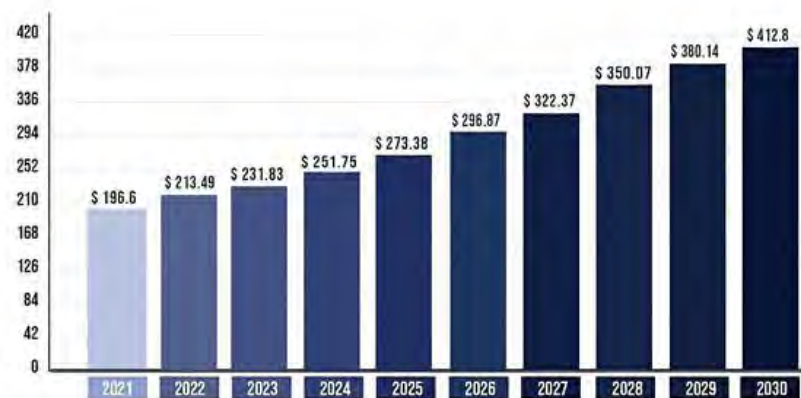
Under the impact of the Covid-19 epidemic, in order to avoid the spread of diseases and reduce the chance of contact between personnel, enterprises around the world have made global enterprises aware of the importance of remote control of automation equipment, thereby improving enterprises to accelerate the upgrading and transformation of production automation and promote digitalization , Internet of Things, big data and industrial robots and other technologies, accelerate the systemization and informatization of factories, further develop towards the development of industrial 4.0 smart manufacturing, and promote relevant industrial policies to assist the upgrading of the manufacturing industry, so that enterprises can continue to grow and develop competition force.

After the raging impact of the COVID-19 epidemic, the clamor for automated manufacturing to replace traditional human labor with automated equipment and robots has gradually fermented in the industry. The tools and technologies related to smart manufacturing and factory process automation have developed rapidly. In order to survive sustainably, global companies will increase the proportion of production automation and deploy more autonomous

unmanned trucks, autonomous mobile robots and industrial robots to reduce manpower needs and maintain social distance.

The COVID-19 epidemic has prompted the global automation market to grow significantly. According to Precedence Research market research data (Figure 2), the global automation industry market will expand to US\$412.8 billion by 2030, equivalent to nearly 8.59% during the forecast period from 2022 to 2030. annual compound growth rate. The synergistic effects of the transformation of sub-industries such as machinery manufacturing, smart logistics and warehousing, electronic manufacturing, and self-driving cars brought about by global automation will continue to expand and drive demand for precision transmission components such as precision planetary gearbox.

Figure 2: Global automation market size from 2022 to 2030. (Unit: US\$ billion)



Source: Precedence Research (2023)

B. Machine Tool Industry Overview

A machine tool is a power-driven stationary mechanical device used in manufacturing to process metal or other materials into parts. The manufacturing process of machine tools mainly includes metal cutting and metal forming. Metal cutting includes lathes, drilling machines, and milling machines. Metal forming is to shape metal into a certain shape, including presses and hydraulic presses. The future development of machine tools will move towards the trend of automation and intelligence, combined with the direction of network, Internet of Things and big data integration. Future machine tools can handle finer and detailed processing and perform various flexible and diverse processing methods. In the machinery industry play a key role in.

In recent years, the global machine tool industry has gradually shifted its production base from Europe to Asia, especially China has become the main production base of many manufacturing industries because of its huge domestic market for machine tools, which has grown by leaps and bounds in recent years, driving the vigorous development of machine tool related industries. Taiwan's machine tool industry has formed a complete industrial cluster in the central region, consisting of a number of companies responsible for different manufacturing processes. In the early days, most of them focused on developing countries such as Southeast Asia with low-end and low-end machine tools and low-priced markets. In recent years, they have carried out independent research and development through industry-university cooperation and strategic alliances, continuously accumulating technical levels, and moving towards mid-to-high-end machine tools. In order to

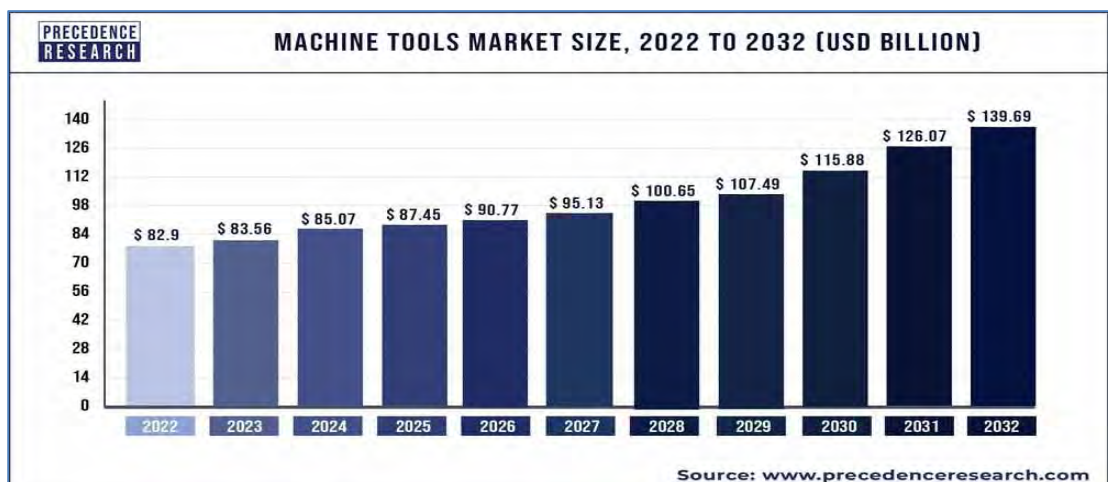
enhance international competitiveness, Taiwan's machine tool industry meets the needs of global manufacturing transformation and upgrading, develops advanced automated production lines, improves production quality and efficiency, and helps drive the development of the machine tool industry with the growth of major market economies.

According to market research data from Precedence Research (Figure 3), global machine tool consumption is estimated to be US\$82.9 billion in 2022. Mainly due to the spread of the COVID-19 epidemic to varying degrees in various countries around the world, various countries have implemented varying degrees of blockade control measures. Coupled with the impact of the Ukraine-Russia war and high inflation, many industries are facing impact and economic activities have been significantly reduced, resulting in a shrinking demand for the machine tool industry in 2022.

The Taiwan Machine Tool and Accessory Builders' Association analyzed that the ups and downs of the economic climate of various countries will affect the prospects for export orders. It is speculated that the market sentiment is expected to rebound after hitting bottom in 2023, and manufacturing demand is also likely to recover. Taiwan's neighboring Southeast Asian markets have benefited from the post-epidemic supply chain dispersion effect, and consumer demand for machine tools is still expected. The Industrial Research Institute estimates that Taiwan's machine tool output value will be US\$4.3 billion in 2023, roughly the same as in 2022.

The Industrial Technology Research Institute believes that both the industrialization of smart machinery and the intelligence of industrial machinery are the future trends of the machine tool industry; intelligence is the development trend of machine tool manufacturers and components industry technology, and greening is in response to net-zero The future trend of carbon emissions. According to Precedence Research market research estimates, the global machine tool industry market size will reach US\$139.69 billion by 2032, with a compound annual growth rate of 5.9%.

Figure 3: Estimated scale of global machine tool industry from 2022 to 2032



Source: Precedence Research (2023)

(2) Hotel and Tourism industry

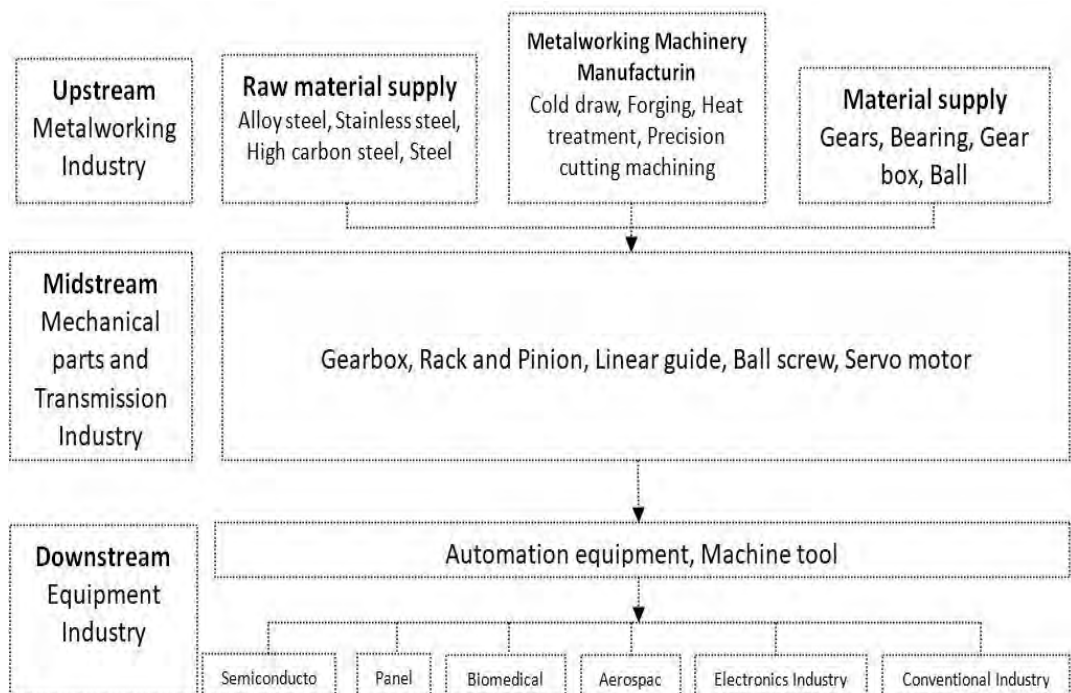
In the post pandemic era, global tourism and commercial activities have restarted. According to statistics from Tourism Administration, Ministry of Transportation and Communications, R.O.C. , the number of international tourist arrivals in 2023 has recovered to 87% compared with the epidemic period, but is still 13% lower than in the years before the epidemic. After the global market came to a standstill during the epidemic, countries gradually lifted restrictions, international business and production lines resumed, and citizens' retaliatory consumption activities increased significantly.

The opening of international air routes has stimulated citizens' willingness to travel abroad, which directly has a crowding-out effect on domestic tourism. In addition, continued inflation in the domestic market has made citizens more concerned about the high cost of domestic travel compared with overseas price-cutting competition, which indirectly affects the development of domestic tourism.

At present, the number of overseas tourists has not yet returned to pre-epidemic levels, but the hotel and tourism industry continues to be in labor shortage. It is difficult for manpower to recover in the short term, and the salary level is relatively low compared with other industries, which affects the hotel, tourism and tourism industry's ability to absorb the corresponding growth in demand. In general, the supply of manpower still needs government policy intervention to prevent the lack of manpower from affecting the quality and value of hotel services.

5.1.2.2. The relationship between the upper, middle and lower reaches of the industry

The company is mainly engaged in the R&D, manufacturing and sales of planetary gearbox and other mechanical transmission components, which are mainly used in automation equipment and machine tools. The industrial relevance of the upper, middle and lower reaches of the industry is as follows:



5.1.2.3. Product Development Trend

The company's main products are planetary gearbox. In recent years, in response to Industry 4.0, the global manufacturing industry has invested in the transformation and upgrading of smart manufacturing, extensively using the Internet of Things, big data analysis and AI artificial intelligence, and actively adopting various automation equipment. , industrial robots and machine tools, upgrade the production line to a smart factory to replace a large number of manpower needs, improve production efficiency and product quality, and move towards a non-manualized production model to maintain the competitiveness of the manufacturing industry. The gearbox is one of the indispensable components of mechanical transmission. It is widely used in automation equipment and machine tools such as semiconductors, panels, biotechnology and medical treatment, aerospace, electronics and traditional industries. It is important for positioning, accuracy, quality and speed The requirements are more stringent, so the gearbox has become a key role. It must cooperate with automation equipment and machine tools to develop towards high precision, low wear, low backlash, low noise, small size and high output torque.

5.1.2.4. The situation of market competition

Under the long-term development of automation equipment, machine tools and related components industries, world-class industrial countries such as Germany and Japan occupy a leading position in technology. Among them, the main manufacturers of planetary gearbox are WITTENSTEIN(Germany), NEUGARTN(Germany), SEWN(Germany) and SHIMPO (Japan), SUMITOMO(Japan) etc.

The company is committed to the manufacture, R&D and sales of planetary gearbox and other mechanical transmission components. It has a complete product line and manufacturing capabilities, and has a number of patents. It is also the only one in Taiwan that can design and produce planetary gearbox by itself. The leading brand of and pinion, and provides well-coordinated and high-quality mechanical transmission components to meet different industrial needs.

In line with the business philosophy of specialization and globalization, the company will continue to improve product quality to provide cost-effective products, and focus on fast delivery and professional after-sales maintenance services to create maximum value for customers and gain customer satisfaction. The trust of the company's production quality to maintain the company's market competitiveness.

5.1.3. Technology and R&D Overview

5.1.3.1. The technical level and research and development situation of the business operated by the company

The company's main R&D technical team has more than 20 years of experience in the machine tool and its mechanical transmission components industry. It has rich R&D capabilities and manufacturing technology, and has applied for a number of patented technologies in Europe, America, China and Taiwan. It can modify the product according to the needs of customers to achieve stable production quality. At present, it can produce a series of high-precision gearbox products. The company's gearbox products are self-developed and

designed throughout the process, with low backlash, high efficiency, high input speed, high output torque, smooth operation, low noise and other characteristics. In addition, the appearance and structural design are developed towards light weight, so that the gearbox can reduce the load inertia of its feedback and increase the output torque when the servo motor is running at high speed.

5.1.3.2. Research and development expenses invested in the most recent year and up to the publication date of the annual report

Unit: NT\$1,000; %

Item	Year	2022	2023
Research and Development Expenses (A)		43,063	31,967
Net operating income (B)		3,429,784	2,686,956
Percentage of Net Revenue (A)/(B)		1.26	1.19

5.1.3.3. echnologies or products successfully developed in the last two years

Year	Successfully developed technology or product	Main purpose and function
2022	SS Series High Performance Teach-In Programmer wing Type Robot	Added EURMAP 12 interface. Integrated circuit board design reduces manufacturing costs and reduces assembly time.
	AExxS / AERxxS for IP69(K)	Comply with the protection level requirements of ISO 20653-2013, the grade can reach IP 69(K), the highest level of protection requirements at present, which can meet the needs of harsh environments with high temperature and high pressure.
	Gearbox- PF Series	The hollow output shaft can be fully matched with the automation system to protect the transmission components.
2023	Backlash - Free Servo Coupling - Disc Type	The critical part of precision automated equipment, used to buffer axial or lateral errors in transmission.
	Gearbox- MF / MFK Series	Shaft type output, interface compatible with AF series gearbox, used in environments without special needs, longer service life.
	Gearbox- MD / MDK Series	The flange type output interface can provide an alternative choice for AD series gearbox customers, with a wider application environment and longer service life.

5.1.4. Long-term and short-term business development plans

5.1.4.1. short-term business development plans:

- (1) Fully grasp the market information to meet the diversified and timely product needs of customers, continue to develop new customers and increase market share.
- (2) Continuously review and improve the company's quality management, continuously improve product accuracy and quality, and increase the company's product competitive advantage.
- (3) Strengthen the cooperative relationship with upstream suppliers to reduce the cost and risk of material acquisition.

5.1.4.2. Long-term business development plans

- (1) Integrate relevant technologies, continue to focus on the research and development of automation equipment, actively develop new product applications, and expand the breadth of product lines to win more industrial customers.
- (2) Improve the production process, increase production efficiency, and truly grasp the customer's delivery time to enhance the company's competitiveness.
- (3) Strengthen global channel strategy cooperation, actively expand agent service bases, provide customers with timely technical consultation, and rely on high quality and short delivery time to strengthen APEX brand value and enhance international market competitiveness.

5.2. Market and production and sales overview

5.2.1. Market analysis

5.2.1.1. Sales area of the company's main market (consolidated)

Unit: NT\$1,000; %

Area \ Year	2022		2023	
	Sales Amount	Ratio	Sales Amount	Ratio
Asia	2,341,384	68.27	1,777,917	66.17
America	467,647	13.631	405,223	15.08
Europe	606,1524	17.67	488,098	18.17
Other	14,601	0.43	15,718	0.58
Total	3,429,784	100.00	2,686,956	100.00

5.2.1.2. Market share

The company is mainly engaged in the manufacture, research and development and sales of mechanical transmission components such as planetary gearbox, among which precision planetary gearbox is the main source of revenue for the company. According to the Global Information (GII) research report, the global precision gearbox market size will grow at an average annual compound growth rate of 8.33% from 2023 to 2029. The global planetary gearbox market size in 2023 is estimated to be approximately US\$1.214 billion. The company's 2023 The annual operating revenue of planetary gearbox is NT\$1.961 billion, and its market share in the global precision planetary gearbox market is approximately 5.2%.

5.2.1.3. The future supply and demand situation and growth of the market

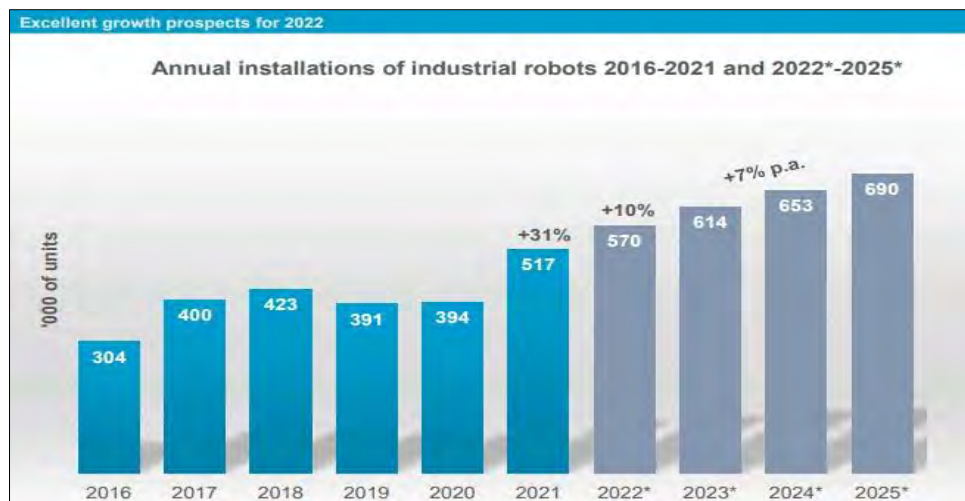
(1) Gearbox and mechanical transmission components industry

As industrial countries around the world have launched Industry 4.0 plans and actively launched industrial upgrading policies, they will use the Internet of Things, smart robots, and innovative technologies such as big data to develop smart factories. It is expected that through smart automated production and human-machine collaboration, It has become the future development trend of the manufacturing industry to reduce manpower demand, improve production efficiency and increase output value. In order to cope with the progress of related software and Internet of Things technology, in terms of hardware, there is an increasing demand for smart automation equipment such as high efficiency, high precision, and high customization, industrial robots, and machine tools.

According to statistics from World Robotics (Figure 5), the number of global industrial robot installations should grow considerably in 2022. However, the COVID-19 epidemic, coupled with the Ukraine-Russia war and high inflation, continue to have an impact on the global economy. Global manufacturing production activities are still relatively sluggish, and related capital expenditures continue to be conservative. Therefore, the volume of industrial robot installations is not as expected.

We hope that in the post-epidemic era, the global economy will show a more obvious growth trend. After the global manufacturing industry has been affected by manpower constraints and production line shutdowns, it can more strongly understand the importance of improving smart manufacturing and automated production. It is expected to accelerate industrial automation and digital transformation, and introduce industrial robots and other automation equipment to help maintain productivity and enhance competitiveness. Therefore, the number of global industrial robot installations is expected to grow steadily from 2023, which will obviously become the future development trend of the manufacturing industry.

Figure 5: Statistics and forecast of global industrial robot installations from 2016 to 2025



Source: International Federation of Robotics(2022)

Under the expected trend of global manufacturing transformation towards automation, the demand for automation equipment and machine tools will grow significantly, and the demand for planetary gearbox required for the production of automation equipment and machine tools is expected to continue to increase. , so it can be expected that the gearbox market will grow in the future.

Among them, the Asia-Pacific region is the production center of the world's major manufacturing industries, with strong demand for automation equipment and machine tools, and driven by the overall trend of smart factories, it is expected to become the fastest-growing regional market for precision gearbox.

(2) Hotel and tourism industry

After the global international air routes are gradually opened in 2023, foreign business trips to Taiwan will be given priority to European, American and Southeast Asian customers. In addition, the domestic semiconductor and memory markets, especially the demand for customization, will increase. The original purchase of new machines will be changed to the original Equipment upgrades have enabled companies to expand factories and mass production ahead of schedule, resulting in an increase in domestic business trips.

On the other hand, foreign tourism to Taiwan has not yet picked up. Due to the fact that air routes have not yet been fully opened and domestic travel fees and general consumer goods prices have increased, the number of people visiting Taiwan is still lower than before the epidemic. In addition, the retaliatory consumption of citizen has shifted to overseas travel, and the number of individual tourists has significantly decreased. Domestic travel is mostly concentrated on weekends or short-term consecutive holidays.

The entire year of 2023 will be distinguished by customer groups and slack and peak seasons. We will continue to adjust the ratio of business and international travel demand in different quarters, and adjust marketing strategies in a timely manner. We will not only maintain accommodation for domestic and foreign business trips and special business trips, but also strive for a series of domestic travel groups and high-level boutique industry activities to Maintain high housing rates.

5.2.1.4. Competitive niche

- (1) A management team with rich experience and professional ability, and provide fast delivery service

The company has advanced manufacturing machinery and equipment and a research and development team. Cooperate with production in response to customer needs, and can provide faster delivery services that are superior to those of the industry, to meet customer needs for products, services and delivery requirements, and will continue to improve production technology, optimize manufacturing processes, improve production efficiency, and provide customers with more comprehensive , More immediate service, so as to effectively increase the dependence with customers and achieve long-term cooperative and stable relationship with customers.

- (2) High-precision processing technology and equipment

In order to meet product design requirements, the company uses advanced precision processing equipment in the processing and manufacturing stage, such as: turning and milling compound processing machines, precision grinding machines, gear shaping machines, gear hobbing machines, gear grinding machines, etc., to manufacture product design quality to meet The customer's functional requirements for high-precision gearbox.

- (3) Diversified product items

At the beginning of the company's establishment, the company mainly produced robotic arms, and then successively developed and launched high-precision planetary gearbox.

And other mechanical transmission components, and have developed many models, sizes, torques, etc. can be used with servo motors, which have low backlash, high efficiency, high input speed, high output torque, smooth operation, low noise and other characteristics, and can be widely used It is widely used in automation equipment and machine tools in semiconductor, panel, biomedical, aerospace, electronics and traditional industries.

- (4) Capable of vertical integration

The company has a high degree of vertical integration capabilities in the manufacturing process of R&D design, metal forming, gear grinding and assembly testing, from raw material special steel to planetary gearbox.

The product, its self-made rate has exceeded 90%, has the advantages of high production efficiency, cost reduction and stable quality, and can effectively respond to customers in different industries, expand the breadth of its market, and meet the needs of downstream customers for one-time purchase .

- (5) Marketing channels all over the world

The company has a complete layout of global marketing channels, with bases all over Asia, America, Europe, Australia and other regions. Through the distribution channels, it can enter the local market more effectively, so that global customers can quickly obtain the company's products and provide comprehensive after-sales service.

5.2.1.5. Favorable and Unfavorable Factors and Countermeasures of Development Prospect

The company is mainly engaged in planetary gearbox. The advantages and disadvantages of the future development of R&D, manufacturing and sales of mechanical transmission components are as follows:

(1) Favorable factors

A. Trends in Industry 4.0

Global wage costs continue to rise, prompting the development of manufacturing policies towards Industry 4.0, and building smart factories is the future trend, changing the production mode that required a lot of manpower in the past to automated production equipment, reducing manpower and improving product quality stability. The company's gearbox and other products are mainly targeted at automation equipment and key mechanical transmission components of machine tools. In the future, the industry will gradually upgrade to high-level automation and intelligent equipment will drive gearbox and other mechanical transmission components. The demand will help drive the company's product sales and become the driving force for performance growth.

B. High technical requirements

The gearbox is a technology-intensive industry. In addition to strong capital, it needs to rely on long-term investment in product research and development and maintenance of production technology thresholds. Without solid technology and patents as the backing, only non-precision products can be produced, so it is difficult for new manufacturers to enter .

C. The product has a wide range of applications

The company mainly produces gearbox, we have a series of complete product lines and self-made capabilities. Its product models are diverse, and its application fields involve automation equipment and machine tools such as semiconductors, panels, biotechnology, aerospace, electronics and traditional industries. Due to scattered industrial applications, except Systemic risk In addition to the contraction of the business climate, there will be less risk of multiple industries falling to the bottom at the same time or the risk of large fluctuations in sales caused by only supplying a single industry.

(2) Unfavorable factors

A. Rising staff costs and insufficient manpower

With the rise of domestic labor wages and the shortage of manpower, the machinery industry is facing a gradual increase in production costs.

Countermeasures:

Strengthen employee welfare measures, advanced training, retirement system and reward system, and pay attention to the agreement between labor and management and various employee rights and interests, and use and improve the employee promotion system to reduce employee turnover. In addition, by providing a diversified employee incentive system in the future, in addition to retaining existing talents, it can also attract more outstanding talents to join the company, thereby strengthening the company's competitiveness.

B. Fluctuations in Foreign Exchange

The company's products are mainly exported, so foreign currency exchange rate fluctuations have a certain degree of impact on the company.

Countermeasures:

The company keeps abreast of the trend of major currencies in the international foreign exchange market at any time, maintains an appropriate net foreign exchange position, and at the same time maintains close contact with the bank's foreign exchange to grasp changes in foreign currency exchange rates to reduce the risk of exchange rate changes.

5.2.2. Important uses and production processes of main products

5.2.2.1. Important uses of major products:

The company's main products are planetary gearbox. Such mechanical transmission components can be widely used in automation equipment and machine tools, covering industries such as semiconductors, panels, biotechnology and medical care, aerospace, electronics and traditional industries.

5.2.2.2. Production process of main products:

Saw material → Turning → Heat treatment → Milling → Gear cut → Grinding → Gear lapping → Assemble and Instal → Test → Inspection → Packing

5.2.3. Supply status of main raw materials

The main raw materials are special steel, gears, gearboxes, bearings, oil seals, planetary arms, etc. The main sources of these parts come from TAIWAN and and China. The company maintains a good cooperative relationship with major suppliers to maintain a good and stable supply situation.

5.2.4. In any of the last two years, the name of the customer who accounted for more than 10% of the total purchase (sales) and its purchase (sales) amount and proportion, and the reason for the increase or decrease.

5.2.4.1. Information on major suppliers in the last two years

Reason for increase or decrease:

The changes in purchase objects and amounts are mainly due to purchases based on the production specifications required by customer orders. Due to the reduced demand for automation equipment in the post-epidemic era, purchases in 2023 will be reduced compared to the previous year.

Consolidated Information

Unit: NT\$1,000; %

Item	2022				2023			
	Name (Note)	Amount	Ratio of net purchases in the whole year %	Relationship with Issuer	Name (Note)	Amount	Ratio of net purchases in the whole year %	Relationship with Issuer
1	Company B	86,178	11.85	None	Company B	76,384	14.85	None
2	Company A	131,110	18.02	None	Company A	66,570	12.94	None
3	Company C	76,534	10.52	None	Company C	65,478	12.73	None
4	Other	433,666	59.61	—	Other	306,082	59.48	—
	Net Purchases	727,488	100.00		Net Purchases	514,514	100.00	

Note: List the name of the supplier whose total purchase amount exceeds 10% in the last two years, as well as the purchase amount and proportion. However, if the supplier's name cannot be disclosed due to contractual agreement or the transaction partner is an individual and not a related party, it shall be represented by a code.

5.2.4.2. Information on major sales customers in the last two years

Reason for increase, decrease or change:

The company mainly sells planetary gearbox. Due to global inflation after the epidemic has led to a contraction in demand, which has indirectly affected the reduction in demand for production equipment, the revenue in 2023 declined compared to the previous year.

Consolidated Information

Unit: NT\$1,000; %

Item	2022				2023			
	Name (Note)	Amount	Ratio%-Accounted for the whole year net sales	Relationship with Issuer	Name (Note)	Amount	Ratio%-Accounted for the whole year net sales	Relationship with Issuer
1	Company B	441,429	12.87	None	Company B	385,714	14.36	None
2	Company C	406,130	11.84	None	Company C	282,264	10.50	None
3	APEX DYNAMICS, INC. - Shanghai	473,210	13.80	Related party	APEX DYNAMICS, INC. - Shanghai	253,815	9.45	Related party
4	Other	2,109,015	61.49	—	Other	1,765,163	65.69	—
	Net sales	3,429,784	100.00		Net sales	2,686,956	100.00	

Note: List the name of the customer whose total sales amount exceeds 10% in the last two years, as well as the sales amount and proportion. However, if the customer name cannot be disclosed due to contractual agreement or the transaction partner is an individual and not a related party, a code name can be used to represent it.

5.2.5. Annual production volume values for the last two years

Consolidated Information

Unit: 1000 PCS; NT\$1000

Year Production Value Major Products	2022			2023		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Gearbox (Note.1)	350	265	1,395,227	350	254	1,438,884
Other (Note.2)	—	—	136,629	—	—	94,815
Total	350	265	1531856	350	254	1,533,699

Note.1 : Other products are related components of gearbox.

Note.2 : MILLENNIUM VEE HOTEL TAICHUNG belongs to the hotel industry and has no production activities, not applicable.

5.2.6. Sales value in the last two years

Consolidated Information

Unit: 1000 PCS; NT\$1000

Year Sales Value Major Products	2022				2023			
	Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Gearbox	17	193,810	260	2,496,637	9	115,458	167	1,845,967
Room and Catering Services (Note1)	-	435,168	-	-	-	521,882	-	-
Other	21	62,454	151	241,715	16	50,546	88	153,103
Total	38	691,432	411	2,738,352	25	687,886	255	1,999,070

Note1 : Customer and Catering as Subsidiary-MILLENNIUM VEE HOTEL TAICHUNG.

5.3. Number of employed employees, average seniority, average age and educational distribution ratio for the most recent two years and as of the publication date of the annual report

Consolidated Information

Unit: Person; %

Item		Year	2022	2023	As of 2024 March 31
Number of employees	Supervisor		77	74	76
	Direct Labor		157	163	153
	Indirect Labor		737	715	714
	Total		971	952	943
Average Age			36	37	36
Average Seniority			5	6	7
Educational Distribution Ratio (%)	Doctor's Degree		0.10	0.11	0.11
	Master's Degree		2.16	2.52	2.12
	Bachelor's Degree		51.09	52.10	51.96
	High school diploma (including below)		46.65	45.27	45.81

5.4. Expenditure of Environmental Protection

5.4.1. In the most recent year and up to the publication date of the annual report, the losses suffered due to environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, the date of punishment, the name of the punishment, the violation of laws and regulations, the content of violations of laws and regulations, and the content of punishment should be listed), And disclose the estimated amount and response measures that may occur at present and in the future:

In recent years and as of the publication date of the annual report, the company has not suffered losses due to environmental pollution. It is expected that there will be no major environmental protection expenditures in the next two years.

5.4.2. In accordance with relevant laws and regulations on environmental protection, it is necessary to apply for and set up special environmental protection personnel and instructions for setting up permits for various pollution facilities or pollution source prevention and control equipment:

5.4.2.1. The company has obtained ISO14001 (environmental management system) and ISO45001 (occupational safety and health management system) certification.

- 5.4.2.2. The company conducts ISO14064 greenhouse gas inventory every year and provides it to the Central Science Park Administration of the National Science and Technology Commission.
 - 5.4.2.3. The company has set up special environmental protection unit personnel in accordance with the laws and regulations, and has also set up fixed pollution source prevention and control facilities and obtained a fixed pollution discharge permit. The operation and discharge of fixed pollution sources are in compliance with the requirements of the fixed pollution source operation permit.
 - 5.4.2.4. According to the laws and regulations, the company regularly declares the fixed pollution source air pollution fee and discharge amount every quarter, and pays the air pollution prevention and control fee.
 - 5.4.2.5. All factories of the company have obtained waste disposal plans in accordance with the provisions of the Waste Disposal Act, and entrusted manufacturers who legally remove and dispose of industrial waste to dispose of waste in accordance with regulations, and regularly report and pay for soil and groundwater pollution on a quarterly basis. remediation fee.
 - 5.4.2.6. All factories of the company have applied to the Central Science Park Administration of the National Science and Technology Commission for the connection and drainage of waste water in accordance with laws and regulations, and have obtained water pollution prevention and control permits; Emission standards stipulated by the Pollution Control Act.
 - 5.4.2.7. All factories of the company are required by laws and regulations to conduct waste water sampling and testing every six months, and pay water pollution fees and sewage treatment fees on a regular basis every quarter.
- 5.4.3. In the past two years and up to the date of publication of the annual report, the company has improved its environmental pollution process, and if it has pollution disputes, it shall explain its handling process: None.

5.5. Labor relations

- 5.5.1. List the company's various employee welfare measures, advanced education, training, retirement systems and their implementation status, as well as the agreement between labor and management and the protection measures for employees' rights and interests:

Since the establishment of the company, we have adhered to the concept of sharing business results with employees and taking care of employees, formulated relevant regulations, and provided a comprehensive management system and welfare measures, including labor insurance, national health insurance, annual bonuses, employee restaurants, and fitness centers. , Employee Welfare Committee. Based on the company's overall operations, team and individual performance, a reward incentive plan is designed to share profit surplus with employees to achieve the purpose of attracting, retaining, motivating and cultivating high-quality talents. The relevant welfare policies and implementation results are as follows:

5.5.1.1. Rationalization of management system

- (1) Talent recruitment and reward system planning: recruit proactive and diverse talents, distribute rewards and rewards fairly, and share business results.
- (2) Talent retention and organizational structure planning: In line with the long-term development of the company, we aim to make employees suitable for their positions; in addition, we will continue to strengthen organizational integration, promote rationalization of manpower allocation, continue to cultivate talents, and improve productivity.
- (3) The company's procedures for formulating employee rewards are based on the company's articles of association and the "Annual Operation Bouns Incentive Policy" applicable to managers and employees, and are linked to the company's overall operating performance as the basis for the evaluation of reasonable remuneration and bonus allocation. In addition, if there is a profit in the current year, no less than 0.5% (inclusive) should be allocated as employee remuneration.
- (4) The company has established performance appraisal management and other related measures to fairly and reasonably evaluate the work performance of employees and supervisors, and determine their salary adjustment levels based on employees' professional knowledge, skills and personal performance. In addition, the company conducts annual manager performance appraisals and quarterly employee performance appraisals, using the appraisal results as a reference for job promotions. The employee performance appraisal system is handled in accordance with the company's personnel management regulations and work rules regarding rewards and punishments.

5.5.1.2. Employee benefits

- (1) Protection of basic rights and interests of employees:
 - A. All employees participate in labor insurance and National health insurance from the day they arrive at work, and all their benefits are handled in accordance with the law.
 - B. Update: All employee leave (regular holidays, rest days, national holidays, special leave, marriage leave, bereavement leave, maternity leave, menstrual leave, official injury, sick leave, personal leave, official leave) shall be provided in accordance with the Labor Standards Act, Regulations of Leave-Taking of Workers and Act of Gender Equality in Employment.
 - C. Establish the company's welfare committee in accordance with the law to effectively operate the company's welfare matters.
- (2) Improve employee benefits
 - A. Each vacancy has a standard salary benchmark, and the overall assessment of work ability and experience is the focus of salary assessment.
 - B. The company provides annual holiday remuneration bonuses to ensure fair distribution of rewards and share operating results.
 - C. In order to promote the friendship and communication among colleagues in the department, we subsidize the staff dinner expenses of each department.
 - D. The company provides healthy and nutritious lunch and dinner for free.

- E. Wedding/funeral/childbirth/hospitalization consolation allowance and gifts or gift certificates for three holidays; birthday gift certificates are provided for colleagues' birthdays.
- F. Employee travel (domestic and domestic itineraries) is held every year. Employees can form tour groups and choose travel locations by themselves. Employees' families are encouraged to participate.
- G. Promote the physical and mental health of employees, encourage colleagues to use the free gym, and promote friendship among colleagues and benefit the body and mind.
- H. Free parking for cars and motorcycles.
- I. Conduct annual employee health checks that are superior to those stipulated in the Labor Standards Act, and regularly care about the health of employees.
- J. Discounts of MILLENNIUM VEE HOTEL TAICHUNG are regularly offered.
- K. Employee discounts on store purchases.

5.5.1.3. Employee training

The company believes that "talent is the company's most important asset." In order to cultivate mechanical professionals and improve personnel quality, the company has formulated "Education and Training Management Measures" to plan the company's training system according to each core function, which is divided into new employee training, The three major systems of professional training and management training allow employees and the company to grow together through continuous learning.

- (1) New employee training: Special personnel from the management department will guide new employees to receive education and training, which includes introductions to corporate governance, culture and values, organizational systems, occupational safety and health, work responsibilities and practical operation instructions, etc., and will be led by senior personnel. , assist in adapting to the work environment, learning work-related skills, and quickly integrating into the team.

"Integrity" is the most important core value of the APEX DYNAMICS, INC., it is also the core operating principle of the company. In order to let colleagues clearly understand, the company's "Integrity Business Code", "Integrity Business Operation Procedures and Guidelines", "Ethical Code of Conduct" and relevant codes such as human rights and fair treatment principles have been announced on the internal website; at the same time, we have strengthened the Promote the concept of corporate social responsibility, integrity management and ethical code of conduct, information security and prevention of insider trading and other related issues to new colleagues.

- (2) Professional training: In addition to developing professional course training for each department according to its professional functions, in order to systematically cultivate professional talents, the company has, according to the needs of each department, department heads, managers, and technical personnel as professional lecturers. Through diversified training, knowledge Diversified training such as inheritance and job rotation can cultivate knowledge and skills and improve work quality and performance. In addition to internal training courses, the company can also apply for external training courses, providing diversified further education options.

- (3) Management training: According to the level of managers and the management functions they need, it is divided into training for mid-level manager and senior managers, including self-exploration and interpersonal communication, problem analysis and solution skills, performance management, leadership and other courses, and management practical experience sharing.

5.5.1.4. Employee retirement plan and its implementation

In order to stabilize the post-retirement life of our employees, our company has handled retirement applications and payment standards in accordance with the Labor Standards Law and Labor Pension Regulations. The company's employees who are subject to the Labor Standards Law's pension payment standard (old system pension) have settled the old system seniority and Bank of Taiwan pension reserve accounts on February 14, 2014 (Official Letter No. 1035002213).

The government's new retirement system has been adopted in parallel since July 1, 2005. The company will allocate 6% of the employee's total salary to the employee's personal pension account every month; The contribution rate is deducted from the monthly salary to the employee's personal pension account.

5.5.1.5. The agreement between employees and the company and various employee rights and interests protection measures

All regulations of our company are governed by the Labor Standards Act. In order to protect the rights and interests of labor and coordinate labor relations, the company is committed to strengthening labor harmony and two-way communication and coordination to solve problems. So far, labor relations are harmonious and there have been no major labor disputes that would affect the normal operation of the company's financial business.

The company attaches great importance to labor-management relations. In addition to formulating all policies in compliance with the Labor Standards Act and relevant laws and regulations, the company also prioritizes the rights and interests of employees. In addition, in order to allow colleagues to fully express their opinions, in addition to following the administrative management system to reflect their opinions, the following communication channels are also established:

- (1) Implementing Labor-Management Meeting regularly.
- (2) President's(chairman's) mailbox (received by the president) to understand the real thoughts of employees and start to improve.
- (3) Establish an innovative reward system: employees can put forward improvement suggestions and feasible solutions at any time.

5.5.2. List the losses suffered due to disputes between employees and the company in the most recent year and as of the date of publication of the annual report, and disclose the estimated amount and countermeasures that may occur at present and in the future:

In recent years and as of the publication date of the annual report, the company has not suffered losses due to disputes between employees and the company.

5.6. Cyber Security Management

5.6.1. Explain the cyber security and risk management, plan of information security policy, specific management plan for information security, specific and resources Invested in cyber security management, resources invested in information security management, etc.:

5.6.1.1. Cyber security and risk management

The company has set up a dedicated information security unit on July 28, 2023, with an information security supervisor and a dedicated staff responsible for information security management affairs. The information security supervisor will lead the department to perform information security related operations and establish Safe and reliable information communication system, promote information security management system to strengthen information communication system and network security.

The company has implemented information security-related specifications in the internal control management measures. The approval level is the chairman. Through regular inspections every year, the information security management operations and results are reported to the chairman and general manager. Since its establishment, it has held two information security meetings. In addition, the audit office conducts information computerization operation reviews every year, including information security inspections, to ensure the effectiveness of the company's internal information security controls.

The company regularly reviews the information security policy every year, conducts assessment and analysis on relevant risks, and reports the implementation status to the board of directors. The latest reporting date is July 28, 2023. The company reports on the risk management implementation status of information security management during the meeting.

5.6.1.2. Plan of information security policy

- (1) Professionals are responsible for the prevention and crisis management of information system security to maintain information system security.
- (2) Establish a security control mechanism for the computer network system to ensure the security of network transmission data, protect network operations, and prevent unauthorized system access from leaking confidential information.
- (3) Cross-company computer network systems should especially strengthen network security management, install anti-virus software internally, and set up external network firewalls to prevent computer viruses and aggressive malicious software from invading and causing paralysis of the company's network system.
- (4) According to actual needs, implement information security education and training to encourage employees to understand the importance of information security, improve employees' information security awareness, and urge them to abide by information security regulations.

5.6.1.3. Specific management plan for information security

In response to the company's business characteristics, some cross-company computer network systems have particularly strengthened network security management, installed anti-virus software internally, and set up external network firewalls to prevent computer viruses and aggressive malware from intruding into the company network. The road system is paralyzed. In addition, information security education and training are implemented based on actual needs to help employees understand the importance of information security, improve employees' information security awareness, and encourage them to comply with information security regulations.

- (1) Formulate internal control management systems such as information security inspection control operations, system use authority management methods, software and hardware use management methods, email management methods, FTP use management methods, and information security regulations.
- (2) Establish security measures such as network firewall and computer anti-virus, and conduct information security education and training for all employees according to actual needs from time to time to reduce information security risks.
- (3) Establish a management mechanism for host and network usage, grant different access rights according to functions, and prevent unauthorized access.
- (4) Establish information computer room and environmental safety protection measures, and implement relevant maintenance on a regular basis.
- (5) Establish an internal audit plan for the information security management system, and regularly review the use of all personnel and equipment within the scope of the information security management system.
- (6) Formulate drills for managing backup and restoration to ensure the continuous operation of the company's business.

5.6.1.4. Resources invested in information security management

- (1) Establish an information computer room with independent air conditioning, temperature and humidity monitoring system and active notification of abnormal temperature and humidity, uninterruptible power supply system and connection to an outdoor backup generator, access control and camera system monitorin
- (2) Update the latest firewall software and maintenance, establish connection communication control rules, and external connection management mechanism.
- (3) Update and maintain anti-virus software virus codes, and send the latest virus codes to all computers regularly.
- (4) Establish an email service host, and establish a SPAM spam and information security threat filtering gateway system.
- (5) Computer account, Internet access authority, external access authority management mechanism.

- (6) The whole company and the whole factory are equipped with personnel access control system and camera monitoring system.
- (7) In 2023, the company invested a total of NT\$1,070 thousand for information security maintenance.
- (8) The company has joined the Taiwan Computer Network Crisis Management and Coordination Center (TWCERT) to share information security information to strengthen corporate information security joint defense.
- (9) In 2023, the company's information security supervisor and dedicated personnel will participate in the "Guidelines for Information Security Management and Control of Listed Over-the-Counter Information" courses to gain an in-depth understanding of relevant laws and strengthen the management mechanism for information security protection. In addition, the company will regularly send e-mails every month. All colleagues were reminded that information security should guard against relevant information, and information security related propaganda was conducted for 161 new employees.

5.6.2. List the losses suffered due to major information security incidents in the most recent year and as of the date of publication of the annual report, possible impacts and countermeasures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained:

In 2023, the company's execution status was good, and no major information security incidents occurred and suffered losses.

5.7. Important Contract

Nature of Contract	Party	Period	Major Contents	Restrictions
Land lease	Central Taiwan Science Park Bureau, NSTC	November 23, 2005 ~ December 31, 2024	Leased land to build the first factory	Restriction to build factories and warehouses required for business only
Land lease	Central Taiwan Science Park Bureau, NSTC	From June 1, 2012 ~ May 31, 2032	Lease the land to build the second factory	Restriction to build factories and warehouses required for business only
Land lease	Central Taiwan Science Park Bureau, NSTC	April 1, 2018 ~ December 31, 2037	Lease the land to build the third factory	Restriction to build factories and warehouses required for business only
Land lease	Ministry of Education	January 25, 2007 ~ January 24, 2028	Leased the land to build hotel	Businesses for special purposes, such as special industry, are not allowed
Operation and Management Agreement	Millennium & Copthorne Hotel Holdings (Hong Kong) Limited	November 1, 2012 ~ December 31, 2027	Brand use	Cessation of use of the "Millennium" trademark upon termination of the agreement
Credit contract	E.SUN Bank	May 2, 2023 ~ May 2, 2024	Comprehensive Credit Facilities Master Agreement	None
Credit contract	E.SUN Bank	April 18, 2023 ~ April 18, 2024	Short-term secured loans	None
Credit contract	E.SUN Bank	May 2, 2023 ~ May 2, 2024	Short-term secured loans	None
Credit contract	Mega Bank	May 31, 2023 ~ May 30, 2024	Comprehensive Credit Facilities Master Agreement	None
Credit contract	Mega Bank	December 6, 2023 ~ December 5, 2024	Comprehensive Credit Facilities Master Agreement	None

6. Overview of the company's financial status

6.1. Five-year financial summary of Condensed Balance Sheet and Statement of Comprehensive Income

6.1.1. Consolidated Condensed Balance Sheet – Based on IFRS

Consolidated Condensed Balance Sheet

Unit: NT\$1,000

Item		Year	Financial Summary for The Last Five Years (Note.1)				
			2019	2020	2021	2022	2023
Current Assets			3,716,770	4,662,406	6,681,794	6,414,613	6,554,328
Investments Accounted for Using Equity Method			—	—	—	—	—
Property, Plant and Equipment			3,523,148	3,789,923	3,810,290	3,706,923	3,516,988
Intangible Assets			224,488	224,158	223,723	224,184	223,739
Other Assets			764,022	762,326	754,923	638,571	589,328
Total Assets			8,228,428	9,438,813	11,470,730	10,984,291	10,884,383
Current Liabilities	Before Distribution		434,572	799,596	2,123,727	613,427	472,939
	After Distribution		897,923	1,237,166	2,707,154	1,415,141	1,274,653
Non-Current Liabilities			796,828	1,333,354	1,616,260	585,398	554,535
Total Liabilities	Before Distribution		1,231,400	2,132,950	3,739,987	1,198,825	1,027,474
	After Distribution		1,694,751	2,570,520	4,323,414	2,000,539	1,829,188
Equity Attributable to Shareholders of the Parent			6,997,0287	7,305,863	7,730,743	9,785,466	9,856,909
Capital Stock			729,284	729,284	729,284	801,714	801,714
Capital Surplus			463,351	83,002	83,002	1,524,628	1,364,285
Retained Earnings	Before Distribution		5,804,393	6,493,577	6,918,457	7,459,124	7,690,910
	After Distribution		5,341,042	6,056,007	6,335,030	6,657,410	6,889,196
Other Equity			—	—	—	—	—
Treasury Stock			—	—	—	—	—
Non-Controlling Interest			—	—	—	—	—
Total Equity	Before Distribution		6,997,028	7,305,863	7,730,743	9,785,466	9,856,909
	After Distribution		6,533,677	6,868,293	7,147,316	8,983,752	9,055,195

Note.1: The above financial information has been audited by an certified public accountant.

Note.2: The above-mentioned figures after distribution shall be filled in according to the resolution of the board of directors on February 23, 2024.

Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$1,000

Item \ Year	Financial Summary for The Last Five Years (Note.1)				
	2019	2020	2021	2022	2023
Operating Revenue	2,930,932	2,842,043	3,291,062	3,429,784	2,686,956
Gross Profit	1,478,561	1,337,078	1,635,607	1,740,582	1,490,962
Income from Operations	969,457	854,059	1,091,623	1,154,187	905,765
Non-Operating Income	1,093	18,612	(35,381)	236,012	186,775
Income Before Tax	970,550	872,671	1,056,242	1,390,199	1,092,540
Net Income from Continuing Operations	734,868	689,184	862,450	1,124,094	873,157
Loss of Closed Unit	—	—	—	—	—
Net Income (Loss)	734,868	689,184	862,450	1,124,094	873,157
Other Comprehensive Income (After Tax, Net)	—	—	—	—	—
Total Comprehensive Income	734,868	689,184	862,450	1,124,094	873,157
Net Income Attributable to Shareholders of the Parent	734,868	689,184	862,450	1,124,094	873,157
Net Income Attributable to Non-Controlling Interest	—	—	—	—	—
Comprehensive Income Attributable to Shareholders of the Parent	734,868	689,184	862,450	1,124,094	873,157
Comprehensive Income Attributable to Non-Controlling Interest	—	—	—	—	—
Earnings Per Share	10.08	9.60	11.83	14.47	10.89

Note.1: The above financial information has been audited by an certified public accountant.

Parent Company Only Condensed Balance Sheet

Unit: NT\$1,000

Year		Financial Summary for The Last Five Years (Note.1)				
		2019	2020	2021	2022	2023
Item						
Current Assets		4,396,290	5,239,173	7,247,596	6,908,711	6,968,187
Investments Accounted for Using Equity Method		894,727	843,237	784,288	779,562	844,916
Property, Plant and Equipment		2,063,293	2,430,626	2,545,735	2,528,062	2,361,216
Intangible Assets		3,140	2,810	2,375	2,836	2,095
Other Assets		244,962	263,970	276,363	170,044	150,063
Total Assets		7,602,412	8,779,816	10,856,357	10,389,215	10,326,477
Current Liabilities	Before Distribution	318,641	637,301	1,991,639	485,998	367,829
	After Distribution	781,992	1,074,871	2,575,066	1,287,712	1,169,543
Non-Current Liabilities		286,743	836,652	1,133,975	117,751	101,739
Total Liabilities	Before Distribution	605,384	1,473,953	3,125,614	603,749	469,568
	After Distribution	1,068,735	1,911,523	3,709,041	1,405,463	1,271,282
Capital Stock		729,284	729,284	729,284	801,714	801,714
Capital Surplus		463,351	83,002	83,002	1,524,628	1,364,285
Retained Earnings	Before Distribution	5,804,393	6,493,577	6,918,457	7,459,124	7,690,910
	After Distribution	5,341,042	6,056,007	6,335,030	6,657,410	6,889,196
Other Equity		—	—	—	—	—
Treasury Stock		—	—	—	—	—
Total Equity	Before Distribution	6,997,028	7,305,863	7,730,743	9,785,466	9,856,909
	After Distribution	6,533,677	6,868,293	7,147,316	8,983,752	9,055,195

Note.1: The above financial information has been audited by an certified public accountant.

Note.2: The above-mentioned figures after distribution shall be filled in according to the resolution of the board of directors on February 23, 2024.

Parent Company Only Condensed Statement of Comprehensive Income

Unit: NT\$1,000

Item \ Year	Financial Summary for The Last Five Years (Note.1)				
	2019	2020	2021	2022	2023
Operating Revenue	2,456,368	2,463,457	2,920,885	2,966,054	2,132,246
Gross Profit	1,187,450	1,113,294	1,415,996	1,435,921	1,088,621
Income from Operations	969,194	909,237	1,152,895	1,153,118	834,733
Non-Operating Income	1,365	(36,571)	(96,652)	237,080	257,812
Income Before Tax	970,559	872,666	1,056,243	1,390,198	1,092,545
Net Income from Continuing Operations	734,868	689,184	862,450	1,124,094	873,157
Loss of Closed Unit	—	—	—	—	—
Net Income (Loss)	734,868	689,184	862,450	1,124,094	873,157
Other Comprehensive Income (After Tax, Net)	—	—	—	—	—
Total Comprehensive Income	734,868	689,184	862,450	1,124,094	873,157
Earnings Per Share	10.08	9.60	11.83	14.47	10.89

Note.1: The above financial information has been audited by an certified public accountant.

6.1.2. Condensed Balance Sheet and Statement of Comprehensive Income-The "Enterprise Accounting Standard" in our country: Not applicable.

6.1.3. Names of the certified public accountant and their audit opinions for the last five years.

6.1.3.1. The certified public accountant and their audit opinions for the last five years

Year	Name of Accounting Firm	Name of Accountant		Audit Opinion
2019	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2020	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2021	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2022	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2023	KPMG Taiwan	Chang, Tsu-Hsin	Chen, Cheng-Hsueh	Unqualified Opinion

6.1.3.2. Note: In conjunction with KPMG Taiwan's internal accountant rotation, starting from the first quarter of 2023, the lead signing accountant will be changed to Chang, Tsu-Hsin, and the countersigning accountant will be changed to Chen, Cheng-Hsueh.

6.1.3.3. Reasons for changing accountants in the past five years: None.

6.2. Financial Analysis for the last five years

6.2.1. Consolidated Financial Analysis – Based on IFRS

Item		Year	Financial Summary for The Last Five Years (Note1)				
			2019	2020	2021	2022	2023
Financial Structure (%)	Debt Ratio		14.97	22.60	32.60	10.91	9.44
	Ratio of Long-term Capital to Property, Plant and Equipmen		221.22	227.95	245.31	279.77	296.03
Solvency (%)	Current Ratio		855.27	583.10	314.63	1,045.70	1,385.87
	Quick Ratio		446.19	382.63	246.68	805.57	1,033.12
	Interest Earned Ratio (times)		119.57	60.54	49.72	126.13	170.89
Operating Performance	Accounts Receivable Turnover (times)		7.94	8.97	9.36	9.32	8.74
	Average Collection Period		45.96	40.69	38.99	39.16	41.76
	Inventory Turnover (times)		0.75	0.79	0.96	1.03	0.69
	Accounts Payable Turnover (times)		15.05	18.54	21.55	17.69	13.32
	Average Days in Sales		486.66	462.02	380.20	354.3	528.98
	Property, Plant and Equipment Turnover (times)		0.83	0.78	0.87	0.91	0.74
	Total Assets Turnover (times)		0.39	0.32	0.31	0.31	0.25
Profitability	Return on Total Assets (%)		9.79	7.93	8.41	10.09	8.03
	Return on Stockholders' Equity (%)		10.96	9.64	11.47	12.83	8.89
	Pre-tax Income to Paid-in Capital (%)		133.08	119.66	144.83	173.40	136.28
	Profit Ratio (%)		25.07	24.25	26.21	32.77	32.50
	Earnings per Share (NT\$)		10.08	9.60	11.83	14.47	10.89
Cash Flow	Cash Flow Ratio (%)		251.43	141.22	72.45	257.58	211.85
	Cash flow adequacy ratio (%)		199.02	161.01	165.14	176.37	141.61
	Cash Reinvestment Ratio (%)		8.66	5.48	8.33	6.82	1.34
Leverage	Operating Leverage		1.47	1.43	1.36	1.32	1.34
	Financial Leverage		1.01	1.02	1.02	1.01	1.01

Please explain the reasons for the changes in the financial ratios in the last two years.

(Not required if the difference does not exceed 20%)

The financial ratios of various items have changed by more than 20%. The analysis is as follows:

1. Increase in current ratio and quick ratio: mainly due to the decrease in accounts payable and income tax payable.
2. Increase in interest coverage ratio: mainly due to the decrease in interest expense and net income before tax.
3. Decrease in inventory turnover rate: mainly due to the decrease in orders in 2023, resulting in an increase in inventory.
4. Increase in average days to sell inventory: mainly due to the decrease in inventory turnover rate in 2023.
5. Increase in return on assets (ROA) and return on equity (ROE): mainly due to the decrease in net profit for the current period.
6. The decrease in the Income before tax to paid-in capital: mainly due to the decrease in pre-tax profit and loss.
7. The decrease in earnings per share: mainly due to the decrease in net profit for the current period.
8. Decrease in cash re-investment ratio: mainly due to the decrease in cash inflow from operating activities because the decrease in order.

Note.1: The above financial information has been audited by an certified public accountant.

Note1: The year that has not been verified and certified by an accountant shall be indicated.

Note2: As of the date of publication of the annual report, if a company that is listed or whose shares have been traded in a securities firm's business place has the most recent financial information that has been verified, certified or reviewed by an accountant, it shall also be analyzed.

Note3: At the end of this form of the annual report, the following calculation formula should be listed:

1. Financial Structure

(1) Liabilities to Assets Ratio = total liabilities / total assets.

(2) Ratio of long-term funds to property, plant and equipment = (total equity + nNon-current liabilities) / property, plant and equipment net

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities.

(3) Interest Coverage Ratio = net income before income tax and interest expense / interest expense

3. Operating Performan

(1) Accounts receivable (Including accounts receivable and notes receivable arising from business operations) Turnover = net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from business operations) in each period

(2) Average cash collection days = 365 / receivables turnover ratio

(3) Inventory turnover = operating costs / average inventory .

(4) Turnover ratio of payables (including accounts payable and bills payable arising from business operations) = operating costs / the average balance of accounts payable (including accounts payable and bills payable due to business operations) in each period
Average sales days = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average property, net plant and equipment

(7) total asset turnover = net sales / average total assets .

4. Profitability

(1) Return on assets = [profit and loss after tax + interest expense × (1 – tax rate)] / average total assets

(2) Return on equity = profit and loss after tax / average total equity

(3) Net profit margin = profit and loss after tax / net sales

(4) Earnings per share = (profit or loss attributable to owners of the parent company - dividends on special shares) / weighted average number of Issued shares (Note.4)

5. Cash Flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities

(2) Cash adequacy ratio = net cash flow from operating activities in the last five years / the last five years (capital expenditure + inventory increase + cash dividends)

(3) Cash re-investment Ratio = (Net cash flow from operating activities – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital) (Note.5)

6. Leverage

(1) Operating leverage = (net operating income – variable operating costs and expenses) / operating income (Note.6) °

(2) Financial leverage = operating income / (operating income – interest expense)

Note.4 : The calculation formula of the above-mentioned earnings per share should pay special attention to the following items when measuring:

1. Based on weighted average common shares, not year-end outstanding shares.
2. Those who have cash capital increase or treasury stock transactions should consider their circulation period and calculate the weighted average number of shares.
3. If there is a capital increase from surplus or a capital increase from capital reserves, when calculating earnings per share for previous years and semi-annual years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preference shares are non-convertible cumulative preference shares, the current annual dividends (whether paid or not) shall be deducted from the after-tax net profit or added to the after-tax net loss. If the special stock is non-cumulative, if there is a net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment is required.

Note.5: Cash flow analysis should pay special attention to the following items when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross property, plant and equipment is the total amount of property, plant and equipment before accumulated depreciation.

Note.6: Issuers should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, attention should be paid to their rationality and consistency.

Note.7: If the company's stock has no par value or the par value of each share is not NT\$10, the calculation of the ratio of the previously stated paid-in capital shall be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

6.2.2. Parent Company Only Financial Analysis – Based on IFRS

Item		Year	Financial Summary for The Last Five Years (Note1)				
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt Ratio	7.96	16.79	28.79	5.81	4.55	
	Ratio of Long-term Capital to Property, Plant and Equipment	353.02	335.00	348.22	391.73	421.76	
Solvency (%)	Current Ratio	1,379.70	822.09	363.90	1,421.55	1,894.41	
	Quick Ratio	824.08	572.22	291.89	1,120.47	1,443.01	
	Interest Coverage Ratio (times)	465.15	104.65	68.58	238.97	820.61	
Operating Performance	Accounts Receivable Turnover (times)	6.85	7.96	8.47	8.21	7.12	
	Average collection period	53.28	45.85	43.09	44.45	51.26	
	Inventory Turnover (times)	0.66	0.71	0.87	0.94	0.60	
	Accounts Payable Turnover (times)	16.23	20.69	24.00	18.65	13.78	
	Average Days in Sales	553.03	514.08	419.54	388.29	608.33	
	Property, plant and equipment Turnover (times)	1.23	1.10	1.17	1.17	0.87	
	Total Assets Turnover (times)	0.34	0.30	0.30	0.28	0.21	
Profitability	Return on Assets (%)	10.22	8.50	8.91	10.63	8.44	
	Return on Equity (%)	10.96	9.64	11.47	12.83	8.89	
	Income before tax to Paid-in Capital Ratio(%)	133.08	119.66	144.83	173.40	136.28	
	Net profit margin	29.92	27.98	29.53	37.90	40.95	
	Earnings per Share (NT\$)	10.08	9.60	11.83	14.47	10.89	
Cash Flow	Cash Flow Ratio (%)	299.75	165.56	73.39	300.20	235.57	
	Cash Flow Adequacy Ratio (%)	180.70	147.18	152.29	164.25	131.14	
	Cash Reinvestment Ratio (%)	7.84	5.18	8.27	6.40	0.46	
Leverag	Operating Leverage	1.33	1.27	1.23	1.22	1.28	
	Financial Leverage	1.00	1.01	1.01	1.01	1.00	

Please explain the reasons for the changes in the financial ratios in the last two years.

(Not required if the difference does not exceed 20%)

The financial ratios of various items have changed by more than 20%. The analysis is as follows:

1. Decrease in debt to total assets: mainly due to the decrease in accounts payable and income tax payable.
2. Increase in current ratio and quick ratio: mainly due to the decrease in accounts payable and income tax payable.
3. Increase in interest coverage ratio: mainly due to the decrease in interest expense and net income before tax.
4. Decrease in inventory turnover rate: mainly due to the decrease in orders in 2023, resulting in an increase in inventory.
5. Decrease in Accounts payable turnover ratio: mainly due to the decrease in cost of goods sold and accounts payable.
6. Increase in average days to sell inventory: mainly due to the decrease in inventory turnover rate in 2023.
7. Decrease in Property, plant and equipment Turnover and Total Assets Turnover: mainly due to the decrease in net sales.
8. Increase in return on assets(ROA) and return on equity(ROE): mainly due to the decrease in net profit for the current period.
9. The decrease in the Income before tax to paid-in capital: mainly due to the decrease in pre-tax profit and loss.
10. The decrease in earnings per share: mainly due to the decrease in net profit for the current period.
11. Decrease in Cash flow ratio: mainly due to the decrease in net profit before tax for the current period.
12. Decrease in Cash flow adequacy ratio and Cash re-investment ratio: mainly due to the decrease in cash inflow from operating activities because the decrease in order.

Note.1: The above financial information has been audited by an certified public accountant.

Note1: The year that has not been verified and certified by an accountant shall be indicated.

Note2: As of the date of publication of the annual report, if a company that is listed or whose shares have been traded in a securities firm's business place has the most recent financial information that has been verified, certified or reviewed by an accountant, it shall also be analyzed.

Note3: At the end of this form of the annual report, the following calculation formula should be listed:

1. Financial structure

(1) Liabilities to Assets Ratio = total liabilities / total assets

(2) Ratio of long-term funds to real estate, plant and equipment = (total equity + non-current liabilities) / property, plant and equipment, net

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities

(3) Interest Coverage Ratio = net income before income tax and interest expense / interest expense

3. The ability to operate

(1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover ratio = net sales / the average balance of accounts receivable (including accounts receivable and notes receivable due to business operations) in each period

(2) Average cash receipt days = 365 / accounts receivable turnover ratio

(3) Inventory turnover = operating costs / average inventory

(4) Payables (including accounts payable and bills payable arising from business operations) turnover ratio = operating costs / the average balance of accounts payable (including accounts payable and bills payable due to business operations) in each period

(5) Average sales days = 365 / inventory turnover

(6) Property, plant and equipment turnover = net sales / average property, plant and equipment, net.

(7) Total asset turnover = net sales / total average assets

4. Profitability

(1) Return on assets = [profit and loss after tax + interest expense × (1 - tax rate)] / average total assets

(2) Return on equity = profit and loss after tax / average total equity

(3) Net profit margin = profit and loss after tax / net sales

(4) Earnings per share = (profit or loss attributable to owners of the parent company - dividends on special shares) / weighted average number of Issued shares (Note.4)

5. Cash Flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities

(2) Cash adequacy ratio = net cash flow from operating activities in the last five years / the last five years (capital expenditure + inventory increase + cash dividends)

(3) Cash re-investment Ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + Long-term investment + other non-current assets + working capital) (Note.5)

6. Leverage

(1) Operating leverage = (net operating income – variable operating costs and expenses) / operating income (Note.6) °

(2) Financial leverage = operating income / (operating income – interest expense)

Note.4: The calculation formula of the above-mentioned earnings per share should pay special attention to the following items when measuring:

1. Based on the weighted average number of common shares, not the number of shares outstanding at the end of the year
2. If there is a cash capital increase or a treasury stock trader, the weighted average number of shares should be calculated considering its circulation period
3. For capital increase from surplus or capital reserve conversion, when calculating earnings per share for previous years and semi-annual years, retroactive adjustments shall be made according to the proportion of capital increase, regardless of the issuance period of the capital increase.
4. If the preference shares are non-convertible accumulated preference shares, the dividends for the current year (whether paid or not) shall be deducted from the after-tax net profit, or the after-tax net loss shall be added. If the special stock is non-cumulative, if there is a net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment is required.

Note.5: Cash flow analysis should pay special attention to the following matters when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory at the end of the year decreases, it will be calculated as zero
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross property, plant and equipment is the total amount of property, plant and equipment before accumulated depreciation.

Note.6: Issuers should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, attention should be paid to their rationality and consistency.

Note.7: If the company's stock has no par value or the par value of each share is not NT\$10, the calculation of the ratio of paid-in capital stated above shall be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

6.3. Audit Committee's Report for the last few years

APEX DYNAMICS, INC.

Audit Committee's Review Report

The board of directors has prepared and submitted to the undersigned, audit committee of APEX DYNAMICS, INC., 2023 business report consolidated financial statements and dividend distribution proposal.

The consolidated financial statements have been duly audited by certified public accountants Chang, Tsu-Hsin and Chen, Cheng-Hsueh of KPMG. The above business reports, consolidated financial statements and dividend distribution proposal have been examined and determined to be correct and accurate by the undersigned. This report is duly submitted in accordance with Securities Exchange Act and Company Act.

For:

APEX DYNAMICS, INC.'s 2024 Regular Meeting of Shareholders.

The Audit Committee, Chairman

Chuang, Bor-Nian

February 23, 2024

6.4. The financial report of the most recent year, including the audit report of accountants, the balance sheet of the two-year comparison, statement of profit or loss, statement of changes in equity, cash flow statement and notes or appendix.

Please refer to the Appendix 1 of this annual report 〈 P.135~187 〉

6.5. The company's parent company only financial statements that has been audited and certified by an accountant for the most recent year, but does not contain a detailed statement of important accounting items.

Please refer to the Appendix 2 of this annual report 〈 P.188~234 〉

6.6. If the company and its affiliated companies have financial turnover difficulties in the most recent year and as of the date of publication of the annual report, and their impact on the company's financial status:

The company and its affiliated companies have not experienced financial turnover difficulties in the most recent year and up to the date of publication of the annual report.

7. Review and analysis of the company's financial position and financial performance, and a listing of risks

7.1. Analysis of Financial

Analysis of Financial Status

Unit: NT\$1,000; %

Item \ Year	2022	2023	Increase (Decrease) change	
			Amount	%
Current Assets	6,414,613	6,554,328	139,715	2.18
Property, Plant and Equipment	3,706,923	3,516,988	(189,935)	(5.12)
Intangible Assets	224,184	223,739	(445)	(0.20)
Other Assets	638,571	589,328	(49,243)	(7.71)
Total Assets	10,984,291	10,884,383	(99,908)	(0.91)
Current Liabilities	613,427	472,939	(140,488)	(22.90)
Non-Current Liabilities	585,398	554,535	(30,863)	(5.27)
Total Liabilities	1,198,825	1,027,474	(171,351)	(14.29)
share capital	801,714	801,714	-	-
Additional Paid-in Capital	1,524,628	1,364,285	(160,343)	(10.52)
Retained Earnings	7,459,124	7,690,910	231,786	3.11
Total Equity	9,785,466	9,856,909	71,443	0.73
<p>1. Description of major changes (The change rate is more than 20%, and the change amount reaches NT\$10 million)</p> <p>(1) Decrease in Current Liabilities: mainly due to the decrease in accounts payable and income tax payable in 2023.</p> <p>2. The above major changes have no material impact on the company's financial status and operating results.</p>				

7.2. Analysis of Financial Performance

7.2.1. Comparative Analysis of Consolidated Operating Results

Unit: NT\$1,000; %

Item \ Year	2022	2023	Increase (Decrease) change	
			Amount	%
Operating Revenue	3,429,784	2,686,956	(742,828)	(21.66)
Operating Costs	1,689,202	1,195,994	(493,208)	(29.20)
Gross Profit	1,740,582	1,490,962	(249,620)	(14.34)
Operating Expenses	586,395	585,197	(1,198)	(0.20)
Operating Income	1,154,187	905,765	(248,422)	(21.52)
Non-Operating Income and Expenses	236,012	186,775	(49,237)	(20.86)
Pre-Tax Income	1,390,199	1,092,540	(297,659)	(21.41)
Income Tax Expense	266,105	219,383	(46,722)	(17.56)
Net Income for Current Period	1,124,094	873,157	(250,937)	(22.32)
<p>1. Explanation of major changes (if the change ratio is more than 20%, and the change amount reaches NT\$10 million)</p> <p>(1) Decrease in Operating revenue, Operating costs and Operating profits: mainly due to the decrease in order .</p> <p>(2) Decrease in Non-operating revenue and expense: mainly due to the decrease in foreign currency exchange benefits.</p> <p>(3) Decrease in net income before tax and net income for the current period: mainly due to the decrease in operating income and foreign currency exchange benefits.</p> <p>2. Possible impact on future financial business: No significant impact.</p> <p>3.Future Contingency Plan: Not applicable.</p>				

7.2.2. The effect of the company's future financial business and response actions

The company mainly sets annual shipment targets based on the estimated needs of customers, considering production capacity planning and past operating performance. The company's products have a wide range of applications, and continue to develop markets, pay attention to market trends, in order to expand market share, increase profits, and maintain good financial quality.

7.3. Cash Flow

7.3.1. Analysis of changes in consolidated cash flow

Unit: NT\$1,000; %

Item	Year	2022	2023	Increase (Decrease) Change	
				Amount	%
Net Cash Flow from Operating Activities		1,580,073	1,001,919	(578,154)	(36.59)
Net Cash Flow (outflow) from Investing Activities		691,184	1,512,040	820,856	118.76
Net cash inflow (outflow) from Financing Activities		(1,729,425)	(851,162)	878,263	(50.78)
<p>Change Analysis Instructions:</p> <p>(1) Decrease in cash inflow from operating activities: mainly due to the decrease in order.</p> <p>(2) Increase in cash inflow from investing activities: mainly due to the decrease in other financial assets.</p> <p>(3) Decrease in cash outflow from financing activities: mainly due to the repayment of borrowings and cash capital increase in 2022.</p>					

7.3.2. Improvement plan for insufficient liquidity

7.3.2.1. The company has no shortage of cash, so there is no risk of insufficient liquidity.

7.3.3. Consolidated cash flow analysis for the next year

Unit: NT\$1,000; %

Opening Cash Balance	Estimated Annual Net Cash Flow from Operating Activities	Annual Cash Inflows (Outflows) From Investment Activities	Annual Cash Inflows (Outflows) from Financing Activities	Projected Cash Remaining Amount (e)=(a)+(b)+(c)+(d)	Estimated Cash Shortfall Remedial Measures	
					Investment Plan	Financial Planning
(a)	(b)	(c)	(d)	(e)		
4,117,336	877,012	(252,005)	(853,011)	3,889,332	—	—
<p>1. Analysis of cash flow changes</p> <p>(1) Business activities: The market demand is expected to be stable, and the net cash inflow generated under the normal operating plan.</p> <p>(2) Investment activities: mainly capital expenditures and other financial assets for new equipment needed for operation.</p> <p>(3) Funding activities: The main reason is distribution of cash dividends and the repayment of lease principal.</p> <p>2. Estimated cash shortfall remedial measures: None</p>						

7.4. Major Capital Expenditure Items on financial business in recent year:

None

7.5. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the Next year

7.5.1. Reinvestment policy

The company follows the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the Competent Authority and has "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" as the basis for the company's reinvestment business to grasp the relevant business and financial status. The company's current reinvested business is a 100% invested subsidiary company. The supervision and management of the subsidiary company has been stipulated in the internal management system to regularly monitor the operation status of the subsidiary company.

7.5.2. Reinvestment profit or loss and improvement plan

Unit: NT\$1,000

Reinvested Business	Business Items	2023 Recognized	Main reason of Profit or Loss	Improvement Plan
MILLENNIUM VEE HOTEL TAICHUNG	Hotel	65,354	The domestic and foreign business markets are recovering, and production lines and new projects are continuing.	Continue to understand the changes in business and international travel needs, adjust marketing strategies in time, and effectively respond to the market in advance.

7.5.3. Investment plan for the next year: There is currently no investment plan for the next year.

7.6. Risk Matters and Assessment

7.6.1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

7.6.1.1. Interest rate

(1) Impact on profit and loss

Unit: NT\$1,000; %

Item \ Year	2022		2023	
	Amount	Ratio of Operating Income Net Ratio	Amount	Ratio of Operating Income Net Ratio
Interest income	46,471	1.35	153,428	5.71
Interest expense	11,110	0.32	6,431	0.24

The interest income of the company and its subsidiaries in 2022 and 2023 years were NT\$46,471 thousand and NT\$153,428 thousand, accounting for 1.35% and 5.71% of the net operating income of each year, respectively, in addition, the interest expenses of the company and its subsidiaries in 2022 and 2023 were NT\$11,110 thousand and NT\$6,431 thousand, accounting for 0.32% and 0.24% of the net operating income of each year, respectively. The interest income and interest expenses of the company and its subsidiaries account for a small percentage of net operating income, so the impact of interest rate changes on the company and its subsidiaries is still limited.

(2) Future Response Measures

With the change of financial interest rate, the company adjusts the use of funds in a timely manner, in response to the financial risks that may arise from changes in interest rates, the company's future capital planning will still be based on the principle of prudence, and capital allocation will be under safe control and consider the company's future operating scale and profitability improvement, In addition to maintaining a good relationship with financial institutions, and timely striving for the best interest rate to reduce interest expenses.

7.6.1.2. Foreign exchange rates

(1) Impact on profit and loss

Unit: NT\$1,000; %

Item \ Year	2022		2023	
	Amount	Ratio of Operating Income Net Ratio	Amount	Ratio of Operating Income Net Ratio
Net Foreign Exchange Gain (Loss)	175,723	5.12	8,747	0.33

The net foreign exchange gains (losses) of the company and its subsidiaries in 2022 and 2023 are NT\$175,723 thousand and NT\$8,747 thousand respectively, the ratios to the net operating income of each year are 5.12% and 0.33%. Overall, the impact of foreign exchange rate fluctuations on the profit and loss of the company and its subsidiaries is still limited.

(2) Future Response Measures

The company and its subsidiaries keep abreast of the trends and changes of major currencies in the international foreign exchange market, maintain an appropriate net foreign exchange position and provide it to the business as a reference for quotation. Timely control foreign currency positions, and timely use exchange rate hedging tools to reduce the impact of exchange rate fluctuations.

7.6.1.3. Inflation

The profit and loss of the company and its subsidiaries have not been significantly affected by inflation as of the publication date of the annual report, the impact of forecasted inflation on the profit and loss of the company and its subsidiaries is still limited. In the future, the company and its subsidiaries will continue to keep abreast of the impact of inflation on the cost of purchases, and keep abreast of changes in upstream supply chain costs, when necessary, take appropriate cost stabilization measures to reduce the impact on the company's operations.

7.6.2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

Based on prudent principles and pragmatic business philosophy, the company and its subsidiaries focus on business operations, the company does not engage in high risk, high-leveraged Investments and transactions. Except for the capital loan between the parent company and the subsidiary company, there is no capital loan, endorsement guarantee, or derivative commodity transaction to individuals other than the company and its subsidiaries. The above-mentioned capital loans between the parent company and the subsidiary company have been implemented in accordance with the established "Guidelines for Lending of Capital by Listed Companies", if the company and its subsidiaries engage in related transactions in the future, they will follow the established "Guidelines for Lending of Capital by Listed Companies", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and carry out the announcement and declaration operation in accordance with the relevant laws and regulations, when implementing derivative financial commodity trading strategies, it will also adhere to the conservative and prudent principle to avoid the risk of price fluctuations in foreign exchange transactions.

7.6.2.1. Lend funds to others

Until December 31, 2023 Unit: NT\$1,000

Company that Lent Funds	Object of Loan	For a Related Person	Accounting Subjects	Cumulative up to This month only maximum balance	Closing Balance	Actual Spending Amount	Interest Rate Range	Category	Business Transaction Amount	Reason for Financing	Allowance for Uncollectible Accounts	Collateral		Fund loan and Limit for Individual Objects	Total Loan Limit
												Name	Value		
APEX DYNAMICS, INC.	MILLENNIUM VEE HOTEL TAICHUNG	Yes	Other receivables-Related parties.	1,300,000	650,000	499,000	0.75% 、 1.38%	Short-term Financing	0	Operational Needs	0		0	3,942,764	3,942,764

7.6.2.2. Endorsement Guarantee: None

7.6.2.3. Derivatives Trading Situation: None

7.6.2.4. Main reasons for losses and future countermeasures: Not applicable

7.6.3. Future Research & Development Projects and Corresponding Budget

7.6.3.1. Future Research & Development plans of future

In recent years, the global manufacturing industry has responded to Industry 4.0, they have invested in the transformation and upgrading of smart manufacturing, and actively introduced various industrial robots, automation equipment and machine tools to upgrade the production line to a smart factory to replace a large number of manpower needs and improve production efficiency and product quality, the gearbox is one of the indispensable components of mechanical transmission. It is widely used in automation equipment and machine tools such as semiconductors, panels, biotechnology and medical care, aerospace, electronics and traditional industries, it has strict requirements on precision, quality and speed, so the gearbox must also be developed towards high precision, low wear, low backlash, low noise, small size and high output torque. The company has made unremitting efforts to become a leader in the gearbox market. In addition to continuously improving its independent research and development capabilities over the years, it has accelerated product research and development, patent accumulation and market promotion in recent years.

7.6.3.2. Estimated investment in research and development

The company's research and development expenses for 2022 and 2023 are NT\$43,063 thousand and NT\$31,967 thousand, accounting for 1.26% and 1.19% of the consolidated net operating income, respectively. The company's research and development funds are compiled item by item according to the development progress of new products and new technologies, and continue to invest in research and development resources to meet the needs of the market and customers to ensure the company's competitive advantage.

7.6.4. The impact of major policy and legal changes at home and abroad on the company's financial business and countermeasures

The daily operations of the company and its subsidiaries comply with relevant laws and regulations at home and abroad, and the management of the company and its subsidiaries also keep an eye on the development trend of relevant important policies at home and abroad and collect changes in laws and regulations to adjust the basis for the company's relevant operating strategies, Irregularly assign professionals to receive training in relevant courses, which is conducive to responding to market changes in real time and taking appropriate response measures to enhance international competitiveness Therefore, as of the publication date of the annual report, the company and its subsidiaries have not been subject to important domestic and foreign policy and legal changes that have a major impact on the company's finances and business.

7.6.5. The impact of technological changes (including information security risks) and industrial changes on the company's financial business and countermeasures

The company and its subsidiaries always pay attention to the technological changes and technological developments related to the industry in which they are located, and quickly grasp the changes in the industry, and continue to strengthen and improve its own research and development capabilities, apply for patents for various innovative concepts and design developments, And actively expand the future market application fields to cope with the impact of technological changes and industrial changes on the

company.

7.6.6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since its establishment, the company and its subsidiaries have taken the realization of sustainable business operations as their mission, complied with relevant laws and regulations, actively strengthened internal management, and maintained harmonious labor relations to maintain a good corporate image. In the most recent year and up to the publication date of the annual report, the company and its subsidiaries have not had any incidents that have affected the corporate image or suffered any crisis.

7.6.7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The company and its subsidiaries have no plans to acquire other companies in the most recent year and as of the publication date of the annual report. If there is any event or plan involving mergers and acquisitions in the future, we will carry out various benefit assessments and risk control in a prudent manner in accordance with various operating regulations, so as to truly protect the interests of the company and shareholders.

7.6.8. Expected benefits from, risks relating to and response to factory expansion plans

1. Expected benefits:

The company and its subsidiaries have no plans for plant expansion in the most recent year and as of the date of publication of the year.

2. Possible risks and countermeasures: Not applicable.

7.6.9. Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration

7.6.9.1. The company's purchase:

Purchasers mainly provide steel, gearboxes and oil seals. There are many types of manufacturers of this type. The company's main raw material procurement maintains at least two or more suppliers, and maintain a good relationship with each other, if there is a shortage of supply or shortage of materials, there are other qualified suppliers that can be substituted, so the source of supply is stable, and there is no shortage or interruption of supply.

7.6.9.2. The company's sales:

The products are used in automation equipment and machine tools such as semiconductors, panels, biotechnology and medical care, aerospace, electronics and traditional industries, Considering the market characteristics such as the vast territory of each region and transaction risks, the company's sales are mainly through dealers, although the sales targets are relatively concentrated to a few dealers, the company has not sold more than 30% of its sales to a single customer in the most recent year and up to the date of publication of the annual report, so there is no risk of sales concentration.

7.6.9.3. Purchase and sale of subsidiaries

Since the subsidiary mainly operates international sightseeing hotels and

restaurant services, the supply of major customer supplies and fresh food is stable, and the purchase and sale objects are scattered, and there is no excessive concentration.

7.6.10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

In the most recent year and as of the date of publication of the annual report, there has been no significant change in the shareholding ratio of the Company's directors and major shareholders holding more than 10% of the shares. Therefore, there has been no significant change in the Company's shareholdings due to the large-scale transfer or replacement of equity interests of relevant personnel. Operations will cause significant impacts and risks.

7.6.11. The impact, risks and countermeasures of the change of management rights on the company

In recent years and as of the publication date of the annual report, there has been no change in the management rights of the company.

7.6.12. Litigation or non-litigation matters

It shall list the major litigation, non-litigation or administrative disputes of the company and the company's directors, supervisors, general manager, principals in charge, major shareholders holding more than 10% of the shares, and affiliated companies that have been adjudicated or are still pending. Lawsuit, if the result may have a significant impact on shareholders' rights or securities prices, the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the main parties involved in the litigation, and the status of the settlement as of the publication date of the annual report shall be disclosed.

Ms. Cheng, Shu-Fen embezzled a total of NT\$42,694 thousand in accounts receivable from customers during her tenure as the Accounting Supervisor of APEX DYNAMICS, INC., the original APEX DYNAMICS, INC. was merged with Taiwan Guangyong Technology Co., Ltd., and the original APEX DYNAMICS, INC. was eliminated. Later, Taiwan Guangyong changed its name to APEX DYNAMICS, INC.. The company bears the rights and obligations of the original APEX DYNAMICS, INC. that was eliminated, the company has won the civil judgment of Taichung District Court in Taiwan on December 23, 2019, Ms. Zheng, Shu-Fen's heir should pay the obligation jointly and severally, but the heir refused to accept it, and the two parties are still in litigation. This case has no significant impact on the company's shareholders' equity or securities prices.

7.6.13. Other important risks and countermeasures:

None

7.7. Other important matters:

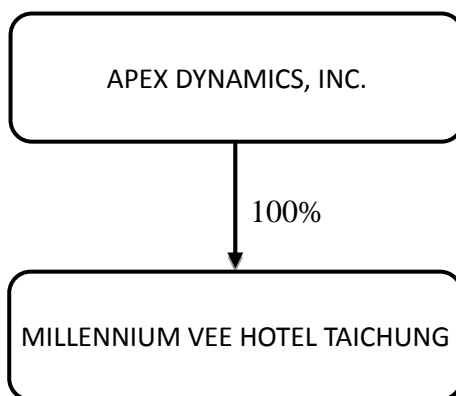
None

8. Other items deserving special mention

8.1. Relevant information of related companies

8.1.1. Affiliated business merger business report

8.1.1.1. Relationship Enterprise Organization Chart



8.1.1.2. Basic information of related companies

December 31, 2023 Unit: NT\$1,000

Company Name	Date of Establishment	Address	Paid-up capital	Main business items
MILLENNIUM VEE HOTEL TAICHUNG	September 23, 2004	No,77, Shizhing Rd, Taichung City	700,000	Room and Catering Services

8.1.1.3. Operational overview of affiliated companies

December 31, 2023 Unit: NT\$1,000

Company Name	Total Assets	Total Indebtedness	Total Equity	Operating Revenue	Net income or loss for current period (AfterTax)
MILLENNIUM VEE HOTEL TAICHUNG	1,681,204	1,057,636	623,568	554,710	65,354

8.1.2. Consolidated Financial Statements of Affiliated Enterprises

The relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the consolidated financial reports of appendix 1, and the consolidated financial statements of affiliated enterprises will not be prepared separately.

8.1.3. Relationship Report:

Not applicable

8.2. Handling of privately placed securities in the most recent year and as of the date of publication of the annual report:

None

8.3. In the most recent year and as of the publication date of the annual report, the holding or disposal of the company's stocks by subsidiaries:

None

8.4. Other necessary supplementary explanations:

None

8.5. In the most recent year and as of the date of publication of the annual report, if any event that has a significant impact on shareholders' equity or securities prices as stipulated in Subparagraph 2, Article 36, Paragraph 3 of Securities and Exchange Act:

None

APEX DYNAMICS, INC. and Subsidiaries

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

Address : Central Taiwan Science Park
No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City, Taiwan
Telephone : 886-4-2465-0219

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)

	2023	2022
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)	161,864	340,875
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	(52,798)	(58,693)
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	(66,417)	80,746
Total changes in operating assets and liabilities	(119,215)	22,053
Total adjustments	42,649	362,928
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	1,001,919	1,580,073
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	1,512,040	691,184
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	(851,162)	(1,729,425)
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	\$ 4,117,336	2,454,539

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>	0.093%	<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>	0.057%	<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><u>\$ 9,049</u></u>	<u><u>11,578</u></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><u>\$ 201,218</u></u>	<u><u>4,923,556</u></u>	<u><u>3,088,453</u></u>	<u><u>620,259</u></u>	<u><u>8,833,486</u></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><u>\$ 201,218</u></u>	<u><u>4,892,928</u></u>	<u><u>3,077,371</u></u>	<u><u>604,356</u></u>	<u><u>8,775,873</u></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></u>	<u><u>1,995,365</u></u>	<u><u>2,844,999</u></u>	<u><u>476,134</u></u>	<u><u>5,316,498</u></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></u>	<u><u>1,855,793</u></u>	<u><u>2,765,291</u></u>	<u><u>447,866</u></u>	<u><u>5,068,950</u></u>
Carrying amounts					
Balance on December 31, 2023	<u><u>\$ 201,218</u></u>	<u><u>2,928,191</u></u>	<u><u>243,454</u></u>	<u><u>144,125</u></u>	<u><u>3,516,988</u></u>
Balance on January 1, 2022	<u><u>\$ 201,218</u></u>	<u><u>3,193,718</u></u>	<u><u>339,384</u></u>	<u><u>75,970</u></u>	<u><u>3,810,290</u></u>
Balance on December 31, 2022	<u><u>\$ 201,218</u></u>	<u><u>3,037,135</u></u>	<u><u>312,080</u></u>	<u><u>156,490</u></u>	<u><u>3,706,923</u></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	<u>\$ 2,894</u>	<u>26,434</u>	<u>195</u>	<u>221,348</u>	<u>250,871</u>
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	<u>\$ 2,829</u>	<u>26,110</u>	<u>162</u>	<u>221,348</u>	<u>250,449</u>
Amortization:					
Balance on January 1, 2023	\$ 1,306	24,813	146	-	26,265
Amortization	148	707	12	-	867
Balance on December 31, 2023	<u>\$ 1,454</u>	<u>25,520</u>	<u>158</u>	<u>-</u>	<u>27,132</u>
Balance on January 1, 2022	\$ 1,129	24,271	130	-	25,530
Amortization	177	542	16	-	735
Balance on December 31, 2022	<u>\$ 1,306</u>	<u>24,813</u>	<u>146</u>	<u>-</u>	<u>26,265</u>
Book Value: :					
Balance on December 31, 2023	<u>\$ 1,440</u>	<u>914</u>	<u>37</u>	<u>221,348</u>	<u>223,739</u>
Balance on January 1, 2022	<u>\$ 1,606</u>	<u>737</u>	<u>32</u>	<u>221,348</u>	<u>223,723</u>
Balance on December 31, 2022	<u>\$ 1,523</u>	<u>1,297</u>	<u>16</u>	<u>221,348</u>	<u>224,184</u>

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	<u>801,714</u> (Note)	8.00	<u>583,427</u>

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

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

	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.

Area	2023	2022
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	\$ 2,686,956	3,429,784
Area	December 31, 2023	December 31, 2022
Non-current assets:		
Asia	\$ 4,312,643	4,552,595

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

	2023	2022
Sales revenue - Company A	\$ 253,815	473,210

APEX DYNAMICS, INC.

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

Address : Central Taiwan Science Park
No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City, Taiwan
Telephone : 886-4-2465-0219

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of APEX Company:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

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

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

2. Assessment of Inventory

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, if we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

February 23, 2024

Notes to Readers

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

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

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

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

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

APEX DYNAMICS, INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

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

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

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

APEX DYNAMICS, INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	Retained earnings					
	Ordinary shares	Capital surplus	Legal reserve	Undistributed earnings	Total	Total Equity
Balance at 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 at December 31, 2022	\$ 801,714	1,524,628	869,843	6,589,281	7,459,124	9,785,466
Balance at 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	873,157	873,157
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	112,409	(112,409)	-	-
Cash dividends of ordinary share	-	-	-	(641,371)	(641,371)	(641,371)
Cash dividends of Capital surplus	-	(160,343)	-	-	-	(160,343)
	-	(160,343)	112,409	(753,780)	(641,371)	(801,714)
Balance at 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 parent company only financial statements.

APEX DYNAMICS, INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

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

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

APEX DYNAMICS, INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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

1. Company history

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

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

2. Approval date and procedures of the financial statements:

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

3. New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies:

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

B. Functional and presentation currency

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

(3) Foreign currency

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

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

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

An asset is classified as current when :

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

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

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

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

(5) Cash and cash equivalents

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

(6) Financial instruments

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

A. Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

(c) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Delisting of Financial Assets

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

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

B. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equity

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

(b) Equity transaction

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

(c) Treasury Stock

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

(d) Financial Liabilities

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

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

(e) Delisting of Financial Liabilities

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

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

(f) Offsetting of Financial Assets and Liabilities

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

(7) Inventory

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

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

(8) Investment Subsidiary

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

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

(9) Property, Plant and Equipment

A. Recognition and Measurement

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

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

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

B. Subsequent Costs

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

C. Depreciation

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

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

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

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

(10) Lease

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

A. Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Lessor

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

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

(11) Intangible assets

A. Recognition and Measurement

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

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

B. Subsequent Expenditure

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

C. Amortization

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

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

(a) Computer software: 2~5 years

(b) Patent right: 4~25 years

(c) Trademark rights: 10 years

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

(12) Impairment of non-financial assets

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

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

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

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

(13) Recognition of Income

Revenue from customer contracts

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

A. Sales of Goods

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

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

B. Financial Composition

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

(14) Government Subsidy

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

(15) Employee Benefits

A. Confirm allocation plan

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

B. Short-term Employee Benefits

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

(16) Share-Based Benefit Transactions

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

(17) Income Tax

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

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

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

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

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

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

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

(18) Earnings per Share

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

(19) Department Information

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

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

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

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

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

Inventory Evaluation

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

6. Explanation of Important Accounting Items

(1) Cash and cash equivalents

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

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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 (24) for the amount recognized in profit or loss at fair value.

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

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

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

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

	December 31, 2023		
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses.
Not overdue	<u>\$ 223,971</u>	0.093%	<u>217</u>
	December 31, 2022		
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses
Not overdue	<u>\$ 374,981</u>	0.058%	<u>217</u>

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

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

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

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

(4) Other receivables

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

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

(5) Inventory

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

The cost of goods sold is detailed as follows:

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

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

(6) Prepayments

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

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

(7) Investments using the equity method

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

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

A. Subsidiaries

Please refer to the 2023 consolidated financial report.

B. Guarantee

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

(8) Property, plant and equipment

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

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

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

(9) Right of use asset

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

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

(10) Intangible Assets

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

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

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>\$ 839</u>	<u>735</u>

B. Guarantee

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

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

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

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

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

(12) Short-term loan

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

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

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

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

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

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

(14) Long-term borrowings

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

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

(15) Lease liability

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

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

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

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

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

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

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

A. Leasing of lands and buildings

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

B. Other lease

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

(16) Deferred revenue

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current (Included in other current liabilities)	\$ 386	404
Non-current	<u>5,377</u>	<u>5,749</u>
Deferred revenue-Government subsidy	<u>\$ 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, Recognition of subsidy income according to the period of use of the asset. In 2023 and 2022, the company recognizes subsidy income of NT\$390 thousand and NT\$573 thousand respectively, which are listed under other income.

(17) Employee benefits

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

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

(18) Income tax

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

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

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

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

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

B. Deferred tax assets

(a) Unrecognized deferred tax assets

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

(b) Recognized deferred tax assets and liabilities

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

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

C. Income tax verification situation

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

(19) Capital and other equity

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

A. Issuance of common stock

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

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

B. Capital surplus

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

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

C. Retained earnings

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

(A) Pay income tax according to law.

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

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

(a) Legal reserve

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

(b) Surplus appropriation

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

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

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

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

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

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

(20) Share based payment

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

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

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

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

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

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

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

(21) Earnings per share

	<u>2023</u>	<u>2022</u>
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>

(22) Revenue from customer contracts

A. Breakdown of income

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

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

B. Contract balance

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

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

(23) Remuneration of employees and directors

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

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

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

(24) Non-operating revenue and expenses

A. Interest income

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

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

B. Other income

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

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

C. Other gains and loss

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

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

D. Financial costs

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

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

(25) Financial instruments

A. Credit risk

(a) Credit risk maximum exposure amount

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

(b) Concentration of credit risk

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

(c) Credit risk of receivables

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

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

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

B. Liquidity risk

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

	Carry amount	Cash flow	Contract			
			within 1 year	1 to 2 years	2 to 5 years	More than 5 years
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	53,481	53,481	53,481	-	-	-
Other payables	84,961	84,961	84,961	-	-	-
lease liability (current and non-current)	111,640	118,910	18,313	9,386	27,704	63,507
Guarantee deposits received	1,899	1,899	-	-	-	1,899
	<u>\$ 257,744</u>	<u>265,014</u>	<u>157,141</u>	<u>9,711</u>	<u>28,573</u>	<u>69,589</u>
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	97,991	97,991	97,991	-	-	-
Other payables	111,129	111,129	111,129	-	-	-
lease liability (current and non-current)	<u>128,628</u>	<u>137,220</u>	<u>18,313</u>	<u>18,313</u>	<u>27,930</u>	<u>72,664</u>
	<u>\$ 343,901</u>	<u>352,493</u>	<u>227,837</u>	<u>18,717</u>	<u>28,812</u>	<u>77,127</u>

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

C. Currency risk

(a) Risk of exchange rate risk

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

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

(b) Sensitivity analysis

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

(c) Exchange gains and losses on monetary items

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

D. Interest Rate Risk

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

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

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

E. Fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

(26) Financial risk management

A. Overview

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

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

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

B. Structure of risk management

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

C. Credit risk

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

(a) Accounts receivable and other receivables

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

(b) Investment

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

(c) Guarantee

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

D. Liquidity risk

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

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

E. Market risk

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

(a) Currency risk

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

(b) Interest rate risk

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

(27) Capital management

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

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

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

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

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

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

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

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

The reconciliation of liabilities from financing activities is as follows:

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

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

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

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

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

(2) Significant transactions with related parties

A. Operating income

Sale of Goods to Related Parties

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

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

B. Accounts receivable

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

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

C. Loans to related parties

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

		<u>Loans receivable from related parties at the end of the period (Other receivables listed in the account - related parties)</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary: Millennium VEE Hotel Taichung		<u>\$ 499,000</u>	<u>595,000</u>
		<u>Loans receivable from related parties at the end of the period (Other receivables listed in the account - related parties)</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
		<u>\$ 588</u>	<u>380</u>
		<u>Interest income</u>	
		<u>2023</u>	<u>2022</u>
Subsidiary: Millennium VEE Hotel Taichung		<u>\$ 5,427</u>	<u>4,694</u>

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

D. Leases

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

E. Other

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

(3) Key management personnel compensation

The remuneration of key management personnel includes:

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

8. Pledged assets

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

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

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Significant unrecognized contractual commitments are as follows:

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

(2) Contingent liabilities: None.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

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

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

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

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

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

A. Remuneration of directors:

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

B. Remuneration of employee and directors:

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

C. Remuneration of employee and manager:

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

13. Other disclosures:

(1) Information on significant transactions:

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

A. Fund loan to others:

Unit: NT\$1000

NO.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purpose	Transaction amount for business between 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 (Note3)	0.75%~1.38%	short-term financing	-	Operation Requirements	-	None	-	3,942,764 (Note 1)	3,942,764 (Note 2)

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

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

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

B. Endorsement for others: None.

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

Unit: NT\$1000/1000 shares

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

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

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

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

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

Unit: NT\$1000

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

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

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

Unit: NT\$1000

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

Note 1: As of February 22, 2024.

I. The engaging in derivatives transactions: None.

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

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

Unit: NT\$1,000/share

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

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

(4) Major shareholders:

Unit: share

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

14. Segment information: None.

Please refer to the consolidated financial statements for 2023.

APEX DYNAMICS, INC.

President Chang, Chung-Hsing