

APEX DYNAMICS, INC.

and Subsidiaries

Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023
and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders of APEX Company:

Introduction

We have audited the consolidated financial statements of APEX Company and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of March 31, 2024 and 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for March 31, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

It is the management's responsibility to prepare a consolidated financial report that adequately expresses itself in accordance with the Financial Reporting Standards for Securities Issuers and the International Accounting Standard No. 34 "Interim Financial Reporting" approved and promulgated by the Financial Supervisory Commission and effective. The accountant's responsibility is based on this. The review results draw conclusions on the consolidated financial report.

Scope of Review

The accountant performs the review work in accordance with ISRE 2410 [†] Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The procedures performed when reviewing the consolidated financial reports include inquiries (mainly from those responsible for financial and accounting matters), analytical procedures and other review procedures. The scope of the review work is significantly smaller than the scope of the audit work. Therefore, the accountant may not be able to detect all significant matters that can be identified through the audit work, and therefore cannot express an audit opinion.

Conclusion

Based on the results of the accountant's review, it was not found that the consolidated financial report failed to comply with the preparation standards for financial reporting of securities issuers and the International Accounting Standard No. 34 "Interim Financial Report" approved and issued by the Financial Supervisory Commission in all material respects report preparation, which makes it impossible to properly express the consolidated financial position of APEX DYNAMICS, INC. as of March 31, 2024 and 2023, as well as the consolidated financial performance and consolidated cash flow of the Republic of China for the three months ended March 31, 2024 and 2023.

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)

April 26, 2024

Notice to Readers

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

APEX DYNAMICS, INC. and Subsidiaries

Consolidated Statements of Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets		March 31, 2024		December 31, 2023		March 31, 2023		Liabilities and Equity		March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current Assets								Current Liabilities							
1100	Cash and cash equivalents (Note.6(1))	\$ 4,865,774	43	4,117,336	38	2,938,175	27	2130	Current contract liabilities (Note.6 (20))	\$ 22,949	-	27,680	-	18,609	-
1110	Current financial assets at fair value through profit or loss (Note.6(2))	199	-	187	-	142	-	2170	Accounts payable	70,849	1	67,764	1	21,234	-
1150	Notes receivable, net (Note.6(3))	3,242	-	2,294	-	2,034	-	2200	Other payables	967,201	9	129,894	1	893,371	8
1170	Accounts receivable, net (Note.6(3))	281,362	2	207,632	2	215,484	2	2230	Current tax liabilities	260,380	2	208,431	2	298,196	3
1180	Accounts receivable due from related parties, net (Notes.6(3) and 7)	29,749	-	23,140	-	21,454	-	2280	Current lease liabilities (Note.6(13))	30,753	-	31,978	-	31,716	1
1200	Other receivables, net (Note.6(4))	35,220	-	36,176	-	21,191	-	2300	Other Current Liabilities (Note.6 (12))(14))	5,821	-	7,192	-	8,325	-
1220	Current tax assets	1,238	-	1,238	-	4,819	-		Total Current Liabilities	<u>1,357,953</u>	<u>12</u>	<u>472,939</u>	<u>4</u>	<u>1,271,451</u>	<u>12</u>
130X	Inventory(Note.6(5))	1,679,168	15	1,659,230	15	1,516,771	14								
1410	Prepayments (Note.6(6))	11,893	-	9,049	-	12,228	-	2570	Deferred tax liabilities	29,199	-	-	-	118	-
1476	Other current financial assets (Note.6(10) and 8)	172,518	2	498,012	5	1,777,460	16	2580	Non-current lease liabilities (Note.6(13))	525,528	5	547,081	5	556,279	5
1479	Other current assets, others (Note.6(10))	133	-	34	-	242	-	2630	Long-term deferred revenue (Note.6(14))	5,291	-	5,377	-	5,667	-
	Total current assets	<u>7,080,496</u>	<u>62</u>	<u>6,554,328</u>	<u>60</u>	<u>6,510,000</u>	<u>59</u>	2645	Guarantee deposits received (Note.6(12))	2,077	-	2,077	-	228	-
	Non-current assets:								Total Non-Current Liabilities	<u>562,095</u>	<u>5</u>	<u>554,535</u>	<u>5</u>	<u>562,292</u>	<u>5</u>
1600	Property, plant and equipment (Note.6(7) 8 and 9)	3,462,246	31	3,516,988	33	3,652,517	33		Total Liabilities	<u>1,920,048</u>	<u>17</u>	<u>1,027,474</u>	<u>9</u>	<u>1,833,743</u>	<u>17</u>
1755	Right-of-use asset (Note.6(8))	536,624	5	545,877	5	573,625	5		Equity-Parent company (Note.6(18))						
1780	Intangible assets (Note.6(9))	223,545	2	223,739	2	224,052	2	3100	Capital stock	801,714	7	801,714	7	801,714	7
1840	Deferred tax assets	14,032	-	15,393	-	15,922	-	3200	Capital surplus	1,203,942	11	1,364,285	13	1,364,285	12
1920	Guarantee deposits paid (Note.6(10))	2,019	-	2,019	-	2,019	-	3300	Retained earnings	7,417,535	65	7,690,910	71	7,013,063	64
1990	Other non-current assets, others (Note.6 (10))	24,277	-	26,039	-	34,670	1		Total equity	<u>9,423,191</u>	<u>83</u>	<u>9,856,909</u>	<u>91</u>	<u>9,179,062</u>	<u>83</u>
	Total Non-current assets	<u>4,262,743</u>	<u>38</u>	<u>4,330,055</u>	<u>40</u>	<u>4,502,805</u>	<u>41</u>		Total Liabilities and Equity	<u>\$11,343,239</u>	<u>100</u>	<u>10,884,383</u>	<u>100</u>	<u>11,012,805</u>	<u>100</u>
	Total assets	<u>\$11,343,239</u>	<u>100</u>	<u>10,884,383</u>	<u>100</u>	<u>11,012,805</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
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		Three Months Ended March 31			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Note.6(20) and 7)	\$ 719,758	100	655,796	100
5000	Operating costs (Note.6(5) (7) (8) (13) (16) (21))	<u>330,883</u>	<u>46</u>	<u>297,675</u>	<u>45</u>
	Gross Profit	<u>388,875</u>	<u>54</u>	<u>358,121</u>	<u>55</u>
	Operating Expense (Note.6(7) (8) (9) (13) (16) (21) and7):				
6100	Selling expenses	8,081	1	7,155	1
6200	Administrative expenses	127,522	18	133,754	21
6300	Research and development expenses	<u>9,525</u>	<u>1</u>	<u>8,428</u>	<u>1</u>
		<u>145,128</u>	<u>20</u>	<u>149,337</u>	<u>23</u>
	Net operating income	<u>243,747</u>	<u>34</u>	<u>208,784</u>	<u>32</u>
	Non-operating revenue and expenses (Note.6(22)(23)):				
7100	Interest income	52,897	7	27,112	4
7010	Other income	3,728	-	693	-
7020	Other gains and losses, net	157,134	22	5,973	1
7050	Finance costs, net (Note.6(13))	<u>(1,536)</u>	<u>-</u>	<u>(1,615)</u>	<u>-</u>
		<u>212,223</u>	<u>29</u>	<u>32,163</u>	<u>5</u>
7900	Profit before tax	455,970	63	240,947	37
7950	Total tax expense (Note.6(17))	<u>87,974</u>	<u>12</u>	<u>45,637</u>	<u>7</u>
	Profit	<u>367,996</u>	<u>51</u>	<u>195,310</u>	<u>30</u>
8300	Other comprehensive income, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8500	Total comprehensive income attributable to:	<u>\$ 367,996</u>	<u>51</u>	<u>195,310</u>	<u>30</u>
	Shareholders of the parent				
	Earnings per share (Note.6(19))				
9750	Basic earnings per share (NT\$)	<u>\$ 4.59</u>		<u>2.44</u>	
9850	Diluted earnings per share (NT\$)	<u>\$ 4.59</u>		<u>2.44</u>	

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

APEX DYNAMICS, INC. and Subsidiaries
Consolidated Statements of Changes in Equity

(In Thousands of New Taiwan Dollars)

Ownership interest - Attributable to the parent company

			<u>Retained Earnings</u>		<u>Total</u>	<u>Total Equity</u>
	<u>Share Capital</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Undistributed Earnings</u>		
	\$ 801,714	1,524,628	869,843	6,589,281	7,459,124	9,785,466
Balance at January 1, 2023						
Profit	-	-	-	195,310	195,310	195,310
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	195,310	195,310	195,310
Appropriation and distribution of retained earnings:						
Cash dividends of ordinary share	-	-	-	(641,371)	(641,371)	(641,371)
Cash dividends from Capital surplus	-	(160,343)	-	-	-	(160,343)
Balance at March 31, 2023	\$ 801,714	1,364,285	869,843	6,143,220	7,013,063	9,179,062
Balance at January 1, 2024	\$ 801,714	1,364,285	982,252	6,708,658	7,690,910	9,856,909
Profit	-	-	-	367,996	367,996	367,996
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	367,996	367,996	367,996
Appropriation and distribution of retained earnings:						
Cash dividends of ordinary share	-	-	-	(641,371)	(641,371)	(641,371)
Cash dividends from Capital surplus	-	(160,343)	-	-	-	(160,343)
Balance at March 31, 2024	\$ 801,714	1,203,942	982,252	6,435,283	7,417,535	9,423,191

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

APEX DYNAMICS, INC. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2024	2023
Cash flows from operating activities:		
Profit before tax	\$ 455,970	240,947
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	74,819	80,384
Amortization expense	194	230
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(12)	(15)
Interest expense	1,536	1,615
Interest income	(52,897)	(27,112)
Dividend income	(4)	-
Gains on disposal of property, plant and equipment	-	(1,084)
Total adjustments to reconcile profit (loss)	23,636	54,018
Changes in operating assets and liabilities:		
Changes in operating assets		
Increase in notes receivable	(948)	(49)
Decrease (increase) in accounts receivable	(73,730)	98,094
Decrease (increase) in accounts receivable due from related parties	(6,609)	44,359
Decrease (increase) in other receivable	831	(762)
Adjustments for decrease (increase) in inventories	(19,938)	(55,298)
Decrease (increase) in prepayments	(2,844)	(748)
Adjustments for decrease (increase) in other current assets	(99)	39
Total change in operating assets	(103,337)	85,635
Total changes in operating liabilities		
Decrease in contract liabilities	(4,731)	(12,540)
Increase (decrease) in accounts payable	3,085	(90,517)
Increase (decrease) in other payables	32,983	(56,977)
Adjustments for increase (decrease) in other current liabilities	(1,457)	2,087
Total changes in operating liabilities	29,880	(157,947)
Total changes in operating assets and liabilities	(73,457)	(72,312)
Total adjustments	(49,821)	(18,294)
Cash inflow (outflow) generated from operations	406,149	222,653
Interest received	53,022	24,689
Dividends received	4	-
Interest paid	(1,536)	(1,615)
Income taxes refund (paid)	(5,465)	(2,610)
Net cash flows from operating activities	452,174	243,117
Cash flows from Investing Activities		
Acquisition of property, plant and equipment	(5,585)	(22,981)
Proceeds from disposal of property, plant and equipment	-	1,301
Decrease in other financial assets	325,494	304,954
Increase in other non-current assets	(867)	(398)
Cash provided by (used in) investing activities	319,042	282,876
Cash flows from (used in) financing activities:		
Payments of lease liabilities	(22,778)	(42,357)
Cash provided by (used in) investing activities	(22,778)	(42,357)
Net increase in cash and cash equivalents	748,438	483,636
Cash and cash equivalents at beginning of period	4,117,336	2,454,539
Cash and cash equivalents at end of period	\$ 4,865,774	2,938,175

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

APEX DYNAMICS, INC. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2024 and 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified 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 consolidated company are the manufacture of mechanical transmission components such as precision gearbox, mechanical drive system accessories and the star rated hotel.

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 April 26, 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, 2024, and it did 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".

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

The standards and interpretations that have been issued and revised by the International Accounting Standards Board but have not yet been approved by the Financial Supervisory Commission Taiwan be relevant to the merged company as follows:

Newly released or revised standards	Main revisions	Issued by the Council Effective Date
"International Financial Reporting Standards", No.18: "Presentation and disclosure of financial statements."	<p>The new standard introduces three categories of income and expense, two income statement subtotals and a single note on management's performance measurement. These three revisions and strengthened guidance on how to segment information in financial statements lay the foundation for providing users with better and more consistent information and will impact all companies.</p> <ul style="list-style-type: none"> • More structured income statements: Under current standards, companies use different formats to express their operating results, making it difficult for investors to compare financial performance across companies. The new standard adopts a more structured income statement, introduces a new definition of "operating profit" subtotal, and stipulates that all income and expenses and losses will be classified into three new different categories based on the company's main operating activities. • Management Performance Measurement (MPM): The new standard introduces a definition of management performance measurement and requires companies to explain in a single note to the financial statements why each measure provides useful information, how it is calculated and how it reconciles the measure with the amount recognized in accordance with IFRS accounting standards. • More granular information: The new standard includes guidance on how companies can enhance the grouping of information in their financial statements. This includes guidance on whether the information should be included in the main financial statements or further broken down in the notes. 	January 1, 2027

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 Financial Reporting Standards" No. 17: "Comparison of IFRS 17 and IFRS 9 for first time applicants ".
- Amendments to" International Accounting Standards" No.21: "Lack of Exchangeability ".

4. Summary of significant accounting policies:

(1) Statement of compliance

This consolidated financial report is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Preparation Standards") and International Accounting Standard No. 34 "Interim Financial Reporting" approved and issued by the Financial Supervisory Commission. This consolidated financial report does not include the entire annual consolidated financial report prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations recognized and issued by the Financial Supervisory Commission (hereinafter referred to as the "International Financial Reporting Standards Accounting Standards recognized by the Financial Supervisory Commission"). Financial reports should disclose all necessary information.

Except as set out below, the material accounting policies adopted in this consolidated financial report is the same as those for the year ended December 31, 2023 consolidated financial report, which can be found in Note.4 for the year ended December 31, 2023 consolidated financial report.

(2) Consolidated basis

A. Subsidiaries included in this consolidated financial report include:

Investor company name	Subsidiary name	Industry	Shareholding ratio		
			March 31, 2024	December 31, 2023	March 31, 2023
APEX DYNAMICS, INC.	Millennium Hotel Taichung	Hotel	100%	100%	100%

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

(3) Income Tax

The combined company measures and discloses income tax expenses for the interim period in accordance with paragraph B12 of International Accounting Standard No.34 "Interim Financial Reporting".

Income tax expenses are measured by multiplying the net profit before tax during the interim reporting period by management's best estimate of the expected effective tax rate for the full year, and are allocated to current income tax expenses and deferred income tax expenses in accordance with the proportion of expected current income tax expenses and deferred income tax expenses for the full year income tax expense.

Income tax expense is directly recognized as an equity item or other comprehensive profit or loss item, which is measured at the applicable tax rate at the time of expected realization or settlement of the temporary difference between the carrying amount of the relevant assets and liabilities for financial reporting purposes and their tax basis.

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

When the management prepares this consolidated financial report in accordance with the preparation standards and International Accounting Standard No. 34 "Interim Financial Reporting" approved by the Financial Supervisory Commission, it must make judgments, estimates and assumptions, which will affect the adoption of accounting policies and assets, liabilities, the reported amounts of revenue and expenses are affected. Actual results may differ from estimates.

When preparing the consolidated financial report, the significant judgments made by management in adopting the accounting policies of the consolidated company and the main sources of estimation uncertainty are consistent with Note.5 for the year ended December 31, 2023 consolidated financial report.

6. Explanation of Important Accounting Items

Except as described below, there are no significant differences in the description of important accounting items in this consolidated financial report and for the year ended December 31, 2023 consolidated financial report. For relevant information, please refer to Note.6 for the year ended December 31, 2023 consolidated financial report.

(1) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash on hand	\$ 1,397	1,021	983
Demand deposit	184,255	145,527	779,605
Time deposit	3,761,979	3,970,788	2,157,587
Cash equivalents- Repurchase Agreement	<u>918,143</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents listed in the cash flow statement	<u><u>\$ 4,865,774</u></u>	<u><u>4,117,336</u></u>	<u><u>2,938,175</u></u>

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Non-effective hedging instrument			
Beneficiary certificate-Fund	<u><u>\$ 199</u></u>	<u><u>187</u></u>	<u><u>142</u></u>

Please refer to Note.6 (22) for the amount recognized in profit or loss for remeasurement at fair value.

For market risk information, please refer to Note. 6 (23).

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

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable-Due to business	\$ 3,444	2,496	2,236
Less: Allowance for losses	<u>(202)</u>	<u>(202)</u>	<u>(202)</u>
	<u>\$ 3,242</u>	<u>2,294</u>	<u>2,034</u>
Accounts receivable			
-Measured at amortized cost	\$ 281,377	207,647	215,499
Accounts receivable-Related parties			
-Amortized cost measure	29,749	23,140	21,454
Less: Allowance for losses	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>
	<u>\$ 311,111</u>	<u>230,772</u>	<u>236,938</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:

March 31, 2024			
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses
Not overdue	<u>\$ 314,570</u>	0.069%	<u>217</u>
December 31, 2023			
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses
Not overdue	<u>\$ 233,283</u>	0.093%	<u>217</u>
March 31, 2023			
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses
Not overdue	<u>\$ 239,189</u>	0.091%	<u>217</u>

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

	Three Months Ended March 31	
	2024	2023
Closing balance (opening balance)	<u>\$ 217</u>	<u>217</u>

As of March 31, 2024, December 31 2023 and March 31 2023, the company's Notes receivable and Accounts receivable (including related parties) are not discounted or provided as collateral.

Please refer to Note.6 (23) for the credit and exchange rate risks of the Company's Notes receivable and Accounts receivable (including related parties).

(4) Other receivables

	March 31, 2024	December 31, 2023	March 31, 2023
Income tax refund receivable	\$ 5,220	3,453	5,805
Interest receivable	29,985	30,110	14,384
Others	<u>15</u>	<u>2,613</u>	<u>1,002</u>
	<u>\$ 35,220</u>	<u>36,176</u>	<u>21,191</u>

For the remaining credit risk information, please refer to Note.6 (23)

(5) Inventory

	March 31, 2024	December 31, 2023	March 31, 2023
Commodity	\$ 105	107	183
Raw material	197,359	198,332	209,887
Semi-finished product	990,392	986,132	768,730
Work in Process	395,204	386,665	465,743
Manufactures	<u>96,108</u>	<u>87,994</u>	<u>72,228</u>
	<u>\$ 1,679,168</u>	<u>1,659,230</u>	<u>1,516,771</u>

The cost of goods sold is detailed as follows:

	Three Months Ended March 31	
	2024	2023
Inventory sale transfer	\$ 292,417	258,804
Room, food and beverage costs	39,875	38,530
Inventory price recovery benefit	1,550	3,444
Scrap income	<u>(2,959)</u>	<u>(3,103)</u>
	<u>\$ 330,883</u>	<u>297,675</u>

As of March 31, 2024, December 31 2023 and March 31 2023, 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:

	March 31, 2024	December 31, 2023	March 31, 2023
Advance payment	\$ 713	3,410	2,339
Office supplies	2,087	1,724	1,816
Prepaid expenses	<u>9,093</u>	<u>3,915</u>	<u>8,073</u>
	<u>\$ 11,893</u>	<u>9,049</u>	<u>12,228</u>

(7) Property, plant and equipment

The details of the cost and depreciation of the Consolidated Company's real estate, plant and equipment for the three months ended March 31, 2024 and 2023 are as follows:

	Land	Buildings	Mechanical equipment	Other facilities	Total
Cost or deemed cost					
Balance at January 1, 2024	\$ 201,218	4,923,556	3,088,453	620,259	8,833,486
Additions	-	618	4,228	3,349	8,195
Reclassifications	-	-	-	2,629	2,629
Balance at March 31, 2024	<u>\$ 201,218</u>	<u>4,924,174</u>	<u>3,092,681</u>	<u>626,237</u>	<u>8,844,310</u>
Balance at January 1, 2023	\$ 201,218	4,892,928	3,077,371	604,356	8,775,873
Additions	-	2,485	5,516	4,600	12,601
Disposals	-	-	(19,954)	(210)	(20,164)
Reclassifications	-	861	207	3,260	4,328
Balance at March 31, 2023	<u>\$ 201,218</u>	<u>4,896,274</u>	<u>3,063,140</u>	<u>612,006</u>	<u>8,772,638</u>
Depreciation					
Balance at January 1, 2024	\$ -	1,995,365	2,844,999	476,134	5,316,498
Depreciation	-	35,544	22,460	7,562	65,566
Balance at March 31, 2024	<u>\$ -</u>	<u>2,030,909</u>	<u>2,867,459</u>	<u>483,696</u>	<u>5,382,064</u>
Balance at January 1, 2023	\$ -	1,855,793	2,765,291	447,866	5,068,950
Depreciation	-	36,234	27,929	6,955	71,118
Disposals	-	-	(19,737)	(210)	(19,947)
Balance at March 31, 2023	<u>\$ -</u>	<u>1,892,027</u>	<u>2,773,483</u>	<u>454,611</u>	<u>5,120,121</u>
Carrying amounts					
Balance at January 1, 2024	<u>\$ 201,218</u>	<u>2,928,191</u>	<u>243,454</u>	<u>144,125</u>	<u>3,516,988</u>
Balance at March 31, 2024	<u>\$ 201,218</u>	<u>2,893,265</u>	<u>225,222</u>	<u>142,541</u>	<u>3,462,246</u>
Balance at January 1, 2023	<u>\$ 201,218</u>	<u>3,037,135</u>	<u>312,080</u>	<u>156,490</u>	<u>3,706,923</u>
Balance at March 31, 2023	<u>\$ 201,218</u>	<u>3,004,247</u>	<u>289,657</u>	<u>157,395</u>	<u>3,652,517</u>

Please refer to Note.8 for the details of bank loans and financing line guarantees as of March 31, 2024, December 31, 2023 and March 31, 2023.

(8) Right of use asset

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Carrying amounts			
Balance at January 1 , 2024	<u>\$ 545,213</u>	<u>664</u>	<u>545,877</u>
Balance at March 31, 2024	<u>\$ 536,015</u>	<u>609</u>	<u>536,624</u>
Balance at January 1 , 2023	<u>\$ 582,003</u>	<u>885</u>	<u>582,888</u>
Balance at March 31, 2023	<u>\$ 572,795</u>	<u>830</u>	<u>573,625</u>

There was no significant increase or decrease in the recognized right of use assets leased by the consolidated company for the three months ended March 31, 2024 and 2023. For the circumstances of the reversal, please refer to Note.6 (8) for the year ended December 31, 2023 Consolidated Financial Report for other relevant information.

(9) Intangible Assets

	<u>Patent Right</u>	<u>Computer Software</u>	<u>Trademar k Rights</u>	<u>Goodwill</u>	<u>Total</u>
Carrying amounts					
Balance at January 1 , 2024	<u>\$ 1,440</u>	<u>914</u>	<u>37</u>	<u>221,348</u>	<u>223,739</u>
Balance at March 31, 2024	<u>\$ 1,405</u>	<u>758</u>	<u>34</u>	<u>221,348</u>	<u>223,545</u>
Balance at January 1 , 2023	<u>\$ 1,523</u>	<u>1,297</u>	<u>16</u>	<u>221,348</u>	<u>224,184</u>
Balance at March 31, 2023	<u>\$ 1,547</u>	<u>1,111</u>	<u>46</u>	<u>221,348</u>	<u>224,052</u>

There are no significant additions, disposals, impairments, provision or reversal of the intangible assets of the consolidated company for the three months ended March 31, 2024 and 2023. Please refer to Note.12 (1) for the amortization amount of the current period. , for other relevant information, please refer to Note.6 (9) for the year ended December 31, 2023 Consolidated Financial Report.

As of March 31, 2024, December 31, 2023 and March 31, 2023, no intangible assets of the combined company were 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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Other current asset:			
Temporary payments	<u>\$ 133</u>	<u>34</u>	<u>242</u>
Other financial assets:			
Restricted deposit	\$ 15,941	18,435	24,891
Deposit account: More than three months, less than one year	150,000	473,000	1,752,000
Guarantee deposits	<u>6,577</u>	<u>6,577</u>	<u>569</u>
	<u>\$ 172,518</u>	<u>498,012</u>	<u>1,777,460</u>
Other non-current assets:			
Prepayments for equipment	\$ 24,277	26,039	34,670
Guarantee deposits paid	<u>2,019</u>	<u>2,019</u>	<u>2,019</u>
	<u>\$ 26,296</u>	<u>28,058</u>	<u>36,689</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:

	March 31, 2024	December 31, 2023	March 31, 2023
Unused quota	<u>\$ 4,600,000</u>	<u>4,600,000</u>	<u>4,600,000</u>
Interest rate range	<u>0%</u>	<u>2.03%</u>	<u>0%</u>

A. Issuance and repayment of loans

There were no major issuances, repurchases or repayments of the consolidated company's short-term borrowings between for the three months ended March 31, 2024 and 2023.

B. Collateral for bank borrowings

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:

	March 31, 2024	December 31, 2023	March 31, 2023
Other current liabilities:			
Deferred revenue: current	\$ 371	386	387
Temporary receipts	2,252	2,881	2,166
Receipts under custody	3,198	3,342	5,772
Others	-	583	-
	<u>\$ 5,821</u>	<u>7,192</u>	<u>8,325</u>
Other non-current liabilities:			
Guarantee deposits received	<u>\$ 2,077</u>	<u>2,077</u>	<u>228</u>

In 2022, the consolidated company obtained a government loan with an interest rate below the market rate. The relevant conditions were to build factories and purchase equipment in a specific area, and the subsidy was recognized as deferred income and amortized over the useful life of the buildings and equipment.

Please refer to Note.6 (14) for the details of the deferred revenue: current.

(13) Lease liability

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

	March 31, 2024	December 31, 2023	March 31, 2023
Current liabilities	<u>\$ 30,753</u>	<u>31,978</u>	<u>31,716</u>
Non-current liabilities	<u>\$ 525,528</u>	<u>547,081</u>	<u>556,279</u>

For maturity analysis, please refer to Note.6 (23) Financial Instruments.

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

	Three Months Ended March 31	
	2024	2023
Lease liability - Interest expense	<u>\$ 1,528</u>	<u>1,615</u>
Expenses for short-term leases or low-value leases	<u>\$ 924</u>	<u>1,233</u>

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

	Three Months Ended March 31	
	2024	2023
Total amount - Lease - Cash outflow	<u>\$ 25,230</u>	<u>45,205</u>

A. Leasing of lands and buildings

The Consolidated Company leases land, houses and buildings as business premises and storage warehouses for ten to thirty-five 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.

(14) Deferred revenue

	March 31, 2024	December 31, 2023	March 31, 2023
Current (Included in other current liabilities)	\$ 371	386	387
Non-current	<u>5,291</u>	<u>5,377</u>	<u>5,667</u>
Deferred revenue-Government subsidy	<u>\$ 5,662</u>	<u>5,763</u>	<u>6,054</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. For the three months ended March 31, 2024 and 2023, the company recognizes subsidy income of NT\$101 thousand and NT\$99 thousand respectively, which are listed under other revenue.

(15) Operating lease

The consolidated company leases some offices. Since substantially all the risks and rewards attached to the ownership of the underlying assets are not transferred, these lease contracts are classified as operating leases.

The maturity analysis of lease payments as of March 31, 2024, using the reported total undiscounted lease payments to be received in the future, is presented in as follows:

	<u>March 31, 2024</u>	
less than one year	\$	10,851
one to two years		11,068
two to three years		11,176
three to four years		11,400
four to five years		11,512
More than five years		<u>15,694</u>
Total undiscounted lease payments	<u>\$</u>	<u>71,701</u>

The amount of rental revenue generated from operating leases for the three months ended March 31, 2024 was NT\$2,173 thousand.

(16) Employee benefits

Confirm the withdrawal plan

The pension expenses under the Pension Withdrawal Scheme determined by the consolidated company are as follows, which have been allocated to the Labor Insurance Bureau:

	Three Months Ended March 31	
	<u>2024</u>	<u>2023</u>
Operating costs	\$ 3,357	3,736
Selling expenses	73	68
Administrative expenses	2,010	1,887
Research and development expenses	<u>268</u>	<u>289</u>
Total	<u>\$ 5,708</u>	<u>5,980</u>

(17) Income tax

A. The details of the income tax expenses of the consolidated company are as follows:

	Three Months Ended March 31	
	<u>2024</u>	<u>2023</u>
Income tax expense	<u>\$ 87,974</u>	<u>45,637</u>

The consolidated company has no income tax expenses directly recognized in equity and other comprehensive profits and losses for the three months ended March 31, 2024 and 2023.

B. Income tax assessment situation

The profit-seeking enterprise income tax settlement declaration of the Company and its subsidiaries has been approved by the tax collection authority as follows:

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

(18) Capital and other equity

Except as described below, there are no significant changes in the capital and other equity of the consolidated company for the three months ended March 31, 2024 and 2023. For relevant information, please refer to Note.6 (18) for the year ended December 31, 2023 consolidated financial report.

A. Capital surplus

The Company's capital surplus balance is as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Capital surplus in excess of par-preferred stock	\$ 1,120,940	1,281,283	1,281,283
Treasury stock trading	<u>83,002</u>	<u>83,002</u>	<u>83,002</u>
	<u>\$ 1,203,942</u>	<u>1,364,285</u>	<u>1,364,285</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.

B. 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) Set aside or reverse the special surplus 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 Capita 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 surplus to issue new shares or cash, provided that the amount exceeds 25% of the paid-in capital.

(b) Earnings Distribution

The company passed the resolution of the board of directors on February 23, 2024, the amount of cash dividends for the 2023 profit distribution plan, and the resolution of the 2022 profit distribution plan at the general meeting of shareholders on February 23, 2023, and the distribution of dividends to owners The amount is as follows:

	2023		2022	
	Allotment ratio NT\$	Amount	Allotment ratio NT\$	Amount
Dividends distributed to owners of common stock:				
Cash	\$ <u>10.00</u>	<u>801,714</u> (Note)	<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) Earnings per share

The calculation of the consolidated company's basic earnings per share and fully diluted earnings per share is as follows:

	Three Months Ended March 31	
	2024	2023
Basic earnings per share		
Net income for the period attributable to holders of common shares of the Company	\$ <u>367,996</u>	<u>195,310</u>
Weighted average number of common shares outstanding (thousand shares)	<u>80,171</u>	<u>80,171</u>
Basic earnings per share (Unit: NT\$)	\$ <u>4.59</u>	<u>2.44</u>

Fully diluted earnings per share

Net income for the period attributable to holders of ordinary shares of the Company	<u>\$ 367,996</u>	<u>195,310</u>
Weighted average number of common shares outstanding(Basic) (thousand shares)	80,171	80,171
Impact of employee stock compensation (thousand shares)	<u>16</u>	<u>28</u>
Weighted average number of common shares outstanding (thousand shares) (After adjusting for the effect of dilutive potential common shares)	<u>80,187</u>	<u>80,199</u>
Diluted earnings per share (Unit: NT\$)	<u>\$ 4.59</u>	<u>2.44</u>

(20) Revenue from customer contracts

A. Breakdown of revenue

	Three Months Ended March 31	
	2024	2023
<u>Major regional markets</u>		
Asia	\$ 468,461	419,399
America	110,210	94,147
Europe	137,397	137,253
Other countries	<u>3,690</u>	<u>4,997</u>
	<u>\$ 719,758</u>	<u>655,796</u>

	Three Months Ended March 31	
	2024	2023
<u>Main Product/Service Line</u>		
Gearbox	\$ 532,083	471,289
Room and food service revenue	135,863	139,644
Others	<u>51,812</u>	<u>44,863</u>
	<u>\$ 719,758</u>	<u>655,796</u>

B. Contract balance

	March 31, 2024	December 31, 2023	March 31, 2023
Contract liabilities	<u>\$ 22,949</u>	<u>27,680</u>	<u>18,609</u>

The opening balance of contract liabilities on January 1, 2024 and 2023, the amounts recognized as revenue for the three months ended March,31 2024 and 2023 are NT\$13,208 thousand and NT\$15,846 thousand, respectively.

(21) 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 the three months ended March 31, 2024 and 2023 is NT\$2,297 thousand and NT\$1,216 thousand respectively, and the estimated amount of directors' remuneration is NT\$1,130 thousand and NT\$1,131 thousand respectively, 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 2024 and 2023.

If there is a difference between the actual distribution situation and the estimated amount in the next year, it will be treated according to the change in accounting estimate, and the difference will be recognized as profit or loss in the next year.

The company's estimated employee remuneration for the year ended December 31, 2023 and 2022 is NT\$5,513 thousand and NT\$7,009 thousand respectively, and the estimated amount of directors' remuneration are NT\$4,522 thousand. There is no difference from the distribution situation determined by the board of directors. Relevant information can be found at the Market Observation Post System (MOPS).

(22) Non-operating revenue and expenses

A. Interest income

The details of the interest income of the Consolidated Company are as follows:

	Three Months Ended March 31	
	2024	2023
Bank deposit-interest income	<u>\$ 52,897</u>	<u>27,112</u>

B. Other income

The details of the other income of the Consolidated Company are as follows:

	Three Months Ended March 31	
	2024	2023
Government subsidy income	\$ 103	347
Rent income	3,621	346
Dividends income	4	-
	<u>\$ 3,728</u>	<u>693</u>

C. Other gains and loss

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

	Three Months Ended March 31	
	2024	2023
Foreign currency exchange profits(losses)	\$ 151,502	(4,179)
Disposal of interests in property, plant and equipment	-	1,084
Profits of financial asset at fair value through profit or loss	12	15
Other profits	<u>5,620</u>	<u>9,053</u>
	<u>\$ 157,134</u>	<u>5,973</u>

D. Financial costs

The Consolidated Company's financial costs are detailed as follows:

	Three Months Ended March 31	
	2024	2023
Interest expense- interest rate implicit in the lease	\$ 1,528	1,615
Other financial expenses	<u>8</u>	<u>-</u>
	<u>\$ 1,536</u>	<u>1,615</u>

(23) Financial instruments

Except as described below, there are no significant changes in the fair value of the consolidated company's financial instruments and its exposure to credit risk, liquidity risk and market risk due to financial instruments. For relevant information, please refer to Note.6 (24) for the year ended December 31, 2023 Consolidated Financial Report.

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. As of March 31, 2024, December 31, 2023 and March 31, 2023, the company, 36%, 42% and 39% 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.

The above are all financial assets with low credit risk. Therefore, the provision loss for the period is measured based on the twelve-month expected credit loss amount. The time deposits and cash equivalents held by the consolidated company are considered to be investment-grade. The above financial institutions are considered to have low credit risk.

There is no provision for losses for the three months ended March 31, 2024 and 2023.

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
March 31, 2024						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	\$ 5,662	5,662	371	312	856	4,123
Accounts payable	70,849	70,849	70,849	-	-	-
Other payables	967,201	967,201	967,201	-	-	-
lease liabilities (current and non-current)	556,281	621,645	36,728	30,100	91,790	463,027
Guarantee deposits received	<u>2,077</u>	<u>2,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,077</u>
	<u>\$1,602,070</u>	<u>1,667,434</u>	<u>1,075,149</u>	<u>30,412</u>	<u>92,646</u>	<u>469,227</u>
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>
March 31, 2023						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	\$ 6,054	6,054	386	386	889	4,393
Accounts payable	21,234	21,234	21,234	-	-	-
Other payables	893,371	893,371	893,371	-	-	-
lease liabilities (current and non-current)	587,995	659,683	38,041	36,728	90,980	493,934
Guarantee deposits received	<u>228</u>	<u>228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228</u>
	<u>\$1,508,882</u>	<u>1,580,570</u>	<u>953,032</u>	<u>37,114</u>	<u>91,869</u>	<u>498,555</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. Market risk

(A) Currency risk

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

	March 31, 2024			December 31, 2023			March 31, 2023		
	Foreign currency	Exchange rate	NT\$ In Thousands	Foreign currency	Exchange rate	NT\$ In Thousands	Foreign currency	Exchange rate	NT\$ In Thousands
<u>Financial assets</u>									
<u>Monetary item</u>									
USD\$	\$ 104,097	32.000	3,331,104	94,390	30.705	2,898,245	67,763	30.450	2,063,383
EUR€	33,855	34.460	1,166,643	29,972	33.980	1,018,449	20,131	33.150	667,343
CNY¥	107,683	4.408	474,667	80,544	4.327	348,514	76,070	4.431	337,066
<u>Financial liabilities</u>									
<u>Monetary item</u>									
CNY¥	2,359	4.408	10,398	3,149	4.327	13,626	1,204	4.431	5,335

The consolidated company's exchange rate risk mainly comes from cash and cash equivalents, accounts receivable, accounts payable and other payables denominated in foreign currencies, resulting in foreign currency exchange gains and losses during translation. On March 31, 2024 and 2023, when the New Taiwan dollar depreciated or appreciated by 0.5% relative to foreign currencies, and all other factors remained unchanged. The net profit after tax for the three months ended March 31, 2024 and 2023 will increase or decrease by NT\$19,848 thousand and NT\$12,250 thousand, respectively. The two periods of analysis are based on the same basis.

Information on the exchange gains and losses of the combined company, the net foreign currency exchange (loss) losses (including realized and unrealized), for the three months ended March 31, 2024 and 2023 were NT\$151,502 thousand and NT\$ (4,179) thousand, respectively.

(B) 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 net profit after tax of the combined company for the three months ended March 31, 2024 and 2023 will decrease or increase by NT\$23 thousand and NT\$24 thousand, respectively. The main reason is the consolidated company's variable interest rate borrowings.

D. 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:

	March 31, 2024				
	Carry Amount	Fair value			Total
First level		Second level	Third level		
Financial assets measured at fair value					
Mandatory financial assets at fair value through profit or loss	\$ 199	199	-	-	199
Financial assets measured at amortized cost					
Cash and cash equivalents	\$4,865,774	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	314,353	-	-	-	-
Other receivables (Include related parties)	35,220	-	-	-	-
Guarantee deposits paid	2,019	-	-	-	-
Other financial assets-current	<u>172,518</u>	-	-	-	-
Total	<u>\$5,390,083</u>	<u>199</u>	<u>-</u>	<u>-</u>	<u>199</u>
Financial liabilities measured at amortized cost					
Accounts payable	\$ 70,849	-	-	-	-
Other payables	967,201	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	5,662	-	-	-	-
Guarantee deposits received	2,077	-	-	-	-
Leased liabilities (current + non-current)	<u>556,281</u>	-	-	-	-
Total	<u>\$1,602,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	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 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	36,176	-	-	-	-
Guarantee deposits received	2,019	-	-	-	-
Other financial assets-current	498,012	-	-	-	-
Total	<u>\$4,886,796</u>	<u>187</u>	<u>-</u>	<u>-</u>	<u>187</u>
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	<u>\$ 784,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	March 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 through profit or loss	\$ 142	142	-	-	142
Financial assets measured at amortized cost					
Cash and cash equivalents	\$2,938,175	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	238,972	-	-	-	-
Other receivables	21,191	-	-	-	-
Guarantee deposits paid	2,019	-	-	-	-
Other financial assets-current	<u>1,777,460</u>	-	-	-	-
Total	<u>\$4,977,959</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>142</u>
Financial liabilities measured at amortized cost					
Accounts payable	\$ 21,234	-	-	-	-
Other payables	893,371	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	6,054	-	-	-	-
Guarantee deposits received	228	-	-	-	-
Leased liabilities (current + non-current)	<u>587,995</u>	-	-	-	-
Total	<u>\$1,508,882</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 are no transfers for the three months ended March 31, 2024 and 2023.

(24) Financial risk management

There are no material changes to the financial risk management objectives and policies of the consolidated company as disclosed in Note.6 (25) for the year ended December 31, 2023 consolidated financial report.

(25) Capital management

The capital management objectives, policies and procedures of the consolidated company are consistent with those disclosed in the 2023 consolidated financial report. In addition, there are no significant changes in the summary quantitative information of capital management items and those disclosed in the 2023 consolidated financial report. For relevant information, please refer to Note.6 (26) for the year ended December 31, 2023 Consolidated Financial Report.

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

The company's non-cash transaction investment activities for the three months ended March 31, 2024 and 2023 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, 2024	Cash flow	Non-cash changes			March 31, 2024
			Increase in this period	Deferred revenue change	Lease payment change	
Lease liabilities (current + non-current)	<u>\$ 579,059</u>	<u>(22,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,281</u>
	January 1, 2023	Cash flow	Non-cash changes			March 31, 2023
			Increase in this period	Deferred revenue change	Lease payment change	
Lease liabilities (current + non-current)	<u>\$ 630,349</u>	<u>(42,357)</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>587,995</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:

Name of related party	Relationship with the Consolidated 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 revenue

The significant sales amounts of the Consolidated Company to related parties are as follows:

Related party category/Name	Three Months Ended March 31	
	2024	2023
Other related parties: APX DYNAMICS,INC. - Shanghai	\$ <u>66,435</u>	<u>62,759</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 - related parties

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

Account title	Related party category/Name	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	Other related parties: APX DYNAMICS,INC. - Shanghai	\$ <u>29,749</u>	<u>23,140</u>	<u>21,454</u>

C. Major management transaction

The remuneration of major management personnel includes:

	Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 2,764	2,322
Separation benefits	73	54
Other long-term benefits	-	-
Termination benefits	-	-
Cash-settled share-based payment	-	-
	<u>\$ 2,837</u>	<u>2,376</u>

8. Pledged assets

The book value of the pledged assets provided by the Consolidated Company is as follows

Asset	Pledge guarantee subject	March 31, 2024	December 31, 2023	March 31, 2023
Property, plant and equipment	Bank loan	\$ 2,856,799	2,879,656	2,923,113
Other financial asset-current	Issuance of meal coupons, accommodation and fitness membership fees, etc.	15,941	18,435	24,891
Other financial asset-current	Guarantee deposits	6,577	6,577	569
		\$ 2,879,317	2,904,668	2,948,573

9. Significant contingent liabilities and unrecognized contractual commitments

(1) The significant unrecognized contractual commitments are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of property, plant and equipment	\$ 14,052	16,274	30,283

(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 item \ By function	Three Months Ended March 31 2024			Three Months Ended March 31 2023		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	111,841	57,164	169,005	101,620	65,356	166,976
Labor and health insurance	9,873	5,225	15,098	11,674	5,363	17,037
Pension	3,357	2,351	5,708	3,736	2,244	5,980
Other employee benefits	3,392	1,323	4,715	3,296	1,250	4,546
Depreciation	48,165	26,654	74,819	52,514	27,870	80,384
Amortization	-	194	194	-	230	230

(2) Operability

The Consolidated Company's operations are not affected by seasonal or cyclical factors.

13. Other disclosures:

(1) Information on significant transactions

For the three months ended March 31, 2024, 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:

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 Hotel Taichung	Other receivables-related party	Yes	650,000	650,000	476,000 (Note3)	1.38%	short-term financing	-	Operation Requirements	-	None	-	3,769,276 (Note 1)	3,769,276 (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	199	- %	199	

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: None.

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

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 Hotel Taichung	Subsidiary of APEX DYNAMICS, INC	476,000 (Note.2)	- %	-	-	(Note.1)	-

Note.1 : As of April 25, 2024

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

I. Engaged in derivatives trading: None

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

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 Hotel Taichung	1	Other receivables -related parties.	476,000	Note.3	4.20%

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.

(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 for the three months ended March 31, 2024 is as follows:

Unit of shares: share

Name of company	Counter-party	Area	Industry	Original investment amount		End of the period			Income Summary	Net investment	Note
				End of term	Dec, 2022	Shares	Ratio	Amount	of the invested company	income or loss accounted	
APEX DYNAMICS, INC.	Millennium Hotel Taichung	Taichung, xitun	Hotel	1,084,602	1,084,602	70,000,000	100%	863,411	18,495	18,495	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 of shares: shares

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

14. Segment information:

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

	Precision machinery	Hotel and Restaurant Service	Adjustments and write-offs	Total
Three months ended March 31, 2024				
Revenue				
Revenue from external customers	\$ 576,464	143,294	-	719,758
Segment revenue	-	116	(116)	-
Total revenue(income)	<u>\$ 576,464</u>	<u>143,410</u>	<u>(116)</u>	<u>719,758</u>
Reportable segment profit or loss	<u>\$ 349,501</u>	<u>18,495</u>	<u>-</u>	<u>367,996</u>
Three months ended March 31, 2023				
Revenue				
Revenue from external customers	\$ 509,827	145,969	-	655,796
Segment revenue	-	347	(347)	-
Total revenue(income)	<u>\$ 509,827</u>	<u>146,316</u>	<u>(347)</u>	<u>655,796</u>
Reportable segment profit or loss	<u>\$ 178,324</u>	<u>16,986</u>	<u>-</u>	<u>195,310</u>