Stock Code: 1530

# AWEA Mechantronic Co., Ltd.

# 2023 ANNUAL REPORT

Publication date: May 28, 2024

**Website for checking this Annual Report: http://mops.twse.com.tw/**

## I. Names, Job Titles, Contact Numbers, and Emails of Spokesperson and Deputy Spokesperson:

Spokesperson: Ting-Shuang Lin
Job title: Assistant manager of the Finance Department
Tel.: (04)24629698 Ext. 62720
E-Mail: sandy.lin@awea.com
Deputy Spokesperson: Mei-Fang Liang
Job title: Manager of the Finance Department
Tel.: (03)5885191 Ext. 61708
E-Mail: claudia.liang@awea.com

## II. Address and Telephone of Headquarters, Branches and Factories

Headquarter: No. 629, Sec. Shuichetou, Guanpu Rd., Xinpu Township, Hsinchu County 305
Tel: (03)5885191
Taichung Branch: No. 15, Keyuan 2nd Rd., Xitun Dist., Taichung City 407 (AWEA Taichung Branch)
Tel: (04)24629698
Hsinchu Plant: No. 629, Sec. Shuichetou, Guanpu Rd., Xinpu Township, Hsinchu County 305
Tel: (03)5885191
Central Taiwan Science Park Plant: No. 15, Keyuan 2nd Rd., Xitun Dist., Taichung City 407
Tel: (04)24629698
Chiayi Branch: No. 21, Dapumeiyuanqu 5th Rd., 19th Neighborhood, Dalin Township, Chiayi County 622
Tel: (05)2953699

## III. Institution for Stock Transfer

Name: Stock Transfer Agency Department of Taishin Securities Co., Limited
Tel: (02)25048125
Address: B1F, No. 96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City
Website: https://www.tssco.com.tw

## IV. Contact Information of Financial Statement Auditors in the Latest Year

Name of CPA: Guei-Duan Chen, Chang-Yun Yi

Name of CPA firm: EnWise CPAs & Co.

Address: 9F-1, No. 130, Taiyuan N. Rd., North Dist., Taichung City

Tel: (04)22966234

Website: http://www.enwise.com.tw

## V. Overseas Listings and Access to the Listing Information: Not applicable

## VI. Company Website: http://www.awea.com

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# Chapter I. Report to Shareholders

I. Report on Results of the Company's business performance in the 2023:

(I) Operating revenue: Net operating revenue of the Company in 2023 was NT$1,572,321 thousand, with a decrease of NT$711,337 thousand and a decrease rate of 31.15%, compared with the NT$2,283,658 thousand in 2022.

(II) Profit and loss: Net profit before tax of the Company in 2023 was NT$240,987 thousand, with a decrease of NT$198,870 thousand and a decrease rate of 45.21%, compared with the NT$439,857 thousand in 2022; net profit after tax of the Company in 2023 was NT$210,811 thousand (NT$2.18 per share), with a decrease of NT$143,332 thousand and a decrease rate of 40.47%, compared with the NT$354,143 thousand (NT$3.67 per share) in 2022.

(III) Comparison of earnings in 2023 and 2022 was as follows:

(Parent Company Only)

Unit: NT$ thousand

| Items | 2023 | 2022 | Amount in increase/decrease | Increase (decrease) % |
|---|---|---|---|---|
| Net operating revenues | 1,572,321 | 2,283,658 | (711,337) | (31.15%) |
| Operating costs | (1,331,564) | (1,825,556) | (493,992) | (27.06%) |
| Gross profit | 240,757 | 458,102 | (217,345) | (47.44%) |
| Realized (Unealized) gain among associated companies | 3,553 | (4,904) | 8,457 | 172.45% |
| Net operating profit | 22,476 | 212,519 | (190,046) | (89.43%) |
| Net profit before tax | 240,987 | 439,857 | (198,870) | (45.21%) |
| Net profit after tax | 210,811 | 354,143 | (143,332) | (40.47%) |

(Consolidated)

| Items | 2023 | 2022 | Amount in increase/decrease | Increase (decrease) % |
|---|---|---|---|---|
| Net operating revenues | 2,361,917 | 3,100,517 | (738,600) | (23.82%) |
| Operating costs | (2,002,794) | (2,432,617) | (429,823) | (17.67%) |
| Gross profit | 359,123 | 667,900 | (308,777) | (46.23%) |
| Realized (Unealized) gain among associated companies | (210) | (4,900) | 4,690 | 95.71% |
| Net operating profit | 33,000 | 298,225 | (265,225) | (88.93%) |
| Net profit before tax | 235,099 | 459,788 | (224,689) | (48.87%) |
| Net profit after tax | 190,306 | 349,287 | (158,981) | (45.52%) |
| Attributable to parent company | 210,811 | 354,143 | (143,332) | (40.47%) |

(IV) The budget execution status and the financial revenues in 2023 are as follows:

In accordance with stipulations in "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company did not need to disclose its financial forecast information for 2023, therefore, there was no data on its budget execution status in 2023.

(V) Breakthrough in operation management:

1. Breakthrough in product development

   AWEA products developed with optimized functions in the direction of large-scale, composite, five-axis, high-speed and intelligence, etc.

   (1) Gantry type high-speed five-axes machining center AG (linear motor drive) and RG (linear screw drive) series, which met the five-axis and high-speed machining needs for mold and aerospace industry.
   (2) Various horizontal/ horizontal five-axis machining centers, which provided machining needs for mass-production line.
   (3) The full range of bridge milling models can be matched with AWEA's inhouse made high-speed spindle, to meet the needs of the customers' mold processing industry.
   (4) MEGA5 series of high-performance large-scale five-axis machining center, which met the high-speed, and high-precision machining needs of the aerospace industry.
   (5) FCV800S milling machine 5 axes machining center series, which met the customers' needs for compounding machining.
   (6) The full range of bridge milling models with the new generation of milling head series, which could comprehensively improve the performance and function, and provide the customers with more choices.
   (7) Large bridge type milling machine with AWEA homemade automatic universal head, which could meet the customers' processing needs at different angles.
   (8) Large moving cross rail machining center MVP series and super traveling column machining center MCP series and new moving cross rail moving column MVCP models, which could provide the customers with large processing range, large processing stroke and meet their needs for processing convenience.
   (9) Brand-new long-stroke high-speed aluminum cutting machining center, which could provide ultra-high-speed cutting feed to meet the customers' need for high-speed aluminum cutting.
   (10) Intelligent information control system AiLINC new product was published, which enabled the machine matched with AiLINC to be upgraded to intelligent machine, to docking with intelligent manufacturing.

2. Breakthrough in production and sales layout

   (1) Its sales volume of niche market products increased, and its export proportion of bridge machines increased.
   (2) Breakthrough in sales volume in mature markets - Italy, Germany, North America, Turkey, etc.
   (3) Development of new markets - Eastern Europe, Northern Europe, ASEAN and India, etc.
   (4) Development and marketing of new products - new large-scale gantry machine, European-standard attachment head integration application, etc.
   (5) It provided diversified controllers for selection, with rapid supply.

3. Breakthrough in improvement of corporate management
    (1) It established corporate culture, to improve the corporate competitiveness.
    (2) It made effective control of accounts receivable and ending balance of inventory.
    (3) It promoted precision production, made effective control of cost, and enhanced the product competitiveness.
    (4) It made reasonable use of general and administrative expenses, and reduced unnecessary expenditures.

II. Summary of the business plan for 2024

(I) 2024 Trading strategy

1. Market strategy: To make full use of the information platform, establish complete marketing documents and sales system, coordinate agents in different regions to support each other in machine sales, reduce stock volume and improve delivery speed; cooperate with exhibitions using the group image both at home and abroad, make market promotion, and reduce sales resistance.
2. Sales strategy: Enhance brand recognition between the agents and the customers.
3. Management strategy: Reduce the error rate, and improve the working quality.

(II) Business objective for 2024

Estimated sales volume in 2024: 96 bridge machines, and 405 C-type machines.

III. Production and marketing policies

Important long-term direction:

(I) Continue to make diversion of market: Making diversification of the market is conducive to avoiding the risk of market concentration, which is a long-term policy of the Company, and is conducive to the stable development of the Company.

(II) Improve customer satisfaction by service: After service is an important link for maintaining customers, and the Company could obtain repeat orders only with a good after-sales service, therefore, in the future, the Company will struggle toward the objective of rapid service and inexpensive but excellent support.

(III) Develop products as required by the market: To strengthen the interaction and understanding of the market, develop products according to market demand, and improve the market share of products.

IV. Impact from external competition environment, regulatory environment and overall operation environment

The Company’s development in the future is subject to impact from the following adverse factors:

(I) The NTD exchange rate fluctuates greatly, which has an impact on order-receiving and production costs, as well as adverse impact on operation.

(II) The domestic labor laws and regulations are rigid, which is easy to cause employee-employer conflicts, increase the operating costs, and have adverse impact on development of the industry.

## V. Future development strategies

### (I) Marketing strategies:

1. To adjust the sales market proportion and strategy in response to COVID-19 epidemic, China-United States trade war and inflation impact.
2. To demonstrate advantages of the Company’s products in aerospace and wind power green energy, and expand the market supply and share.
3. To invest more resources for development since the trend of intelligent products with industry 4.0 is becoming increasingly obvious.
4. To integrate and develop all kinds of five-axis application technologies, and expand sales of five-axis machine.
5. To actively improve all kinds of high-end five-axis products in active markets of five-axis machines.
6. To actively expand the international market, and integrate the demonstration, sales, service and repair sites.
7. To actively introduce talents, make industry-university cooperation, and deeply improve the Company’s long-term development competitiveness.
8. To make use of the information tool and platform, and integrate exhibitions, advertising and publicity, to enhance marketing channels.

### (II) Procurement strategy

1. To strengthen supply chain links to shorten lead times of raw materials and reduce stock inventory, and improve the delivery speed and mobility.
2. To make group procurement and price negotiation, make regular assessment of the suppliers, and implement ISO assessment of the suppliers’ quality, delivery and price, and coach the suppliers to enhance their competitiveness, thus enhancing the competitiveness of the Company.

### (III) Development orientation of product

1. To cooperate with the domestic green energy, wind power, shipbuilding and other industrial policies to develop new-generation products, so as to make a preparation for competitive advantages in the future.
2. To construct a complete product line, and coordinate with the Goodway Parent Company, to make respective development in the field of professional milling machine machining and turning machining technologies.
3. To make research and development of high value-added new products, such as gantry-type\ floor-type moving column gantry machine, floor-type moving column moving cross rail gantry machine, high-efficiency mass production machine, high-speed five-axis machine, and horizontal boring machine, etc.
4. To deepen the development of intelligent and automated new products at the high-tech level.
5. To actively promote and expand products in aerospace machining markets in cooperation with the development trend of aerospace industry in the world.

6. To develop new-generation products in compliance with the global trend of energy-saving, carbon-reduction and green manufacturing.

(IV) Production strategies

1. To improve the self-production rate, and strengthen the precision machining equipment and self-assembly capacity, so as to improve the product quality.
2. To commence construction of Dapumei Phase II plant, the completion of which can improve production capacity of small vertical machines, achieving rapid supply.
3. To put Phase II plants of Wujiang Plant into mass production, with key precision components supported by the parent factory, so as to improve production capacity in Mainland China.

In the post-epidemic era in 2023, confronted with global high inflation, the FED continued to maintain a high interest rate to suppress inflation, and the global capital expenditure was comprehensively depressed under such environment, having an indirect impact on recovery of the tool industry. Fortunately, as of November 2023, the capital market expected that the U.S. Federal Reserve has completed this cycle of raising interest rate. At present, the world is waiting with bated breath, and it's expected that the fall of the inflation data and the return of expansion of manufacturing capital expenditure demand could bring the opportunity of the next industrial recovery for the tool machine industry.

The management team of AWEA has always been following a dedicated attitude and making all-round preparation, and we believe that this year, with the continuous support of all you shareholders, we have the confidence to overcome all kinds of adverse internal and external factors, so as to make the Company continue to grow steadily in the sluggish environment, to repay you shareholders' trust in the management team of AWEA. Thanks again to all shareholders for your support and recognition. At last, I wish all of you:

A good health, and all the best wishes for you!

AWEA Mechantronic Co., Ltd.

President: Shang-Ru Yang

Chairman: President: Accounting Supervisor:

# Chapter II. Company Profile

I. Establishment date

Headquarter: The registration of its establishment was approved on July 16, 1986

Taichung Branch: The registration of its establishment was approved on May 16, 2007.

Chiayi Branch: The registration of its establishment was approved on December 25, 2017.

II. Address and telephone of headquarters, branches and factories

| | | |
|---|---|---|
| Headquarter: | No. 629, Sec. Shuichetou, Guanpu Rd., Xinpu Township, Hsinchu County | Tel.: (03) 588-5191 |
| Taichung Branch: | No. 15, Keyuan 2nd Rd., 2nd Neighborhood, Lincuo Vil., Xitun Dist., Taichung City | Tel.: (04) 2462-9698 |
| Hsinchu Plant: | No. 629, Sec. Shuichetou, Guanpu Rd., Xinpu Township, Hsinchu County | Tel.: (03) 588-5191 |
| Central Taiwan Science Park Plant: | No. 15, Keyuan 2nd Rd., 2nd Neighborhood, Lincuo Vil., Xitun Dist., Taichung City | Tel.: (04) 2462-9698 |
| Chiayi Branch: | No. 21, Dapumeiyuanqu 5th Rd., 19th Neighborhood, Dalin Township, Chiayi County | Tel.: (05) 295-3699 |

III. History and organization

1986
- Established in Yangxiwo, Hukou Township, Hsinchu County, Taiwan Province on July 1, with a capital of NT$4.4 million.

1987
- A capital of NT$14.21 million was increased.
- The VMC won the Taiwan Excellence Award issued by the Taiwan External Trade Development Council.

1988
- Products began to be exported.
- The development of the P-type gantry vertical machining center was completed in November.

1989
- A capital of NT$112.3 million was increased. In September, the plant moved to the present site of Xinpu Township, Hsinchu County.
- It won the Taiwan Excellence Award issued by the Taiwan External Trade Development Council.
- The FMV won the Taiwan Excellence Award issued by the Taiwan External Trade Development Council.

1990
- A capital of NT$179.94 million was increased.
- The development of the PM-type moving column gantry vertical machining center was completed in June.
- The LS-type moving column CO2 laser cutter was completed in October.
- The P-type gantry vertical machining center won the Eminence Award of Research and Development Innovative Product Competition issued by the Taiwan Association of Machinery Industry.

- The LS-type moving column CO2 laser cutter won the Excellent Award of Research and Development Innovative Product Competition issued by the Taiwan Association of Machinery Industry.

1991
- Phase I plant construction was completed on February 2.
- The PL-type fixed column gantry CO2 laser cutter was completed.

1992
- Cooperated with the Japanese TRE company in the development of the MMA-type gantry vertical machining center, which won the Eminence Award of Research and Development Innovative Product Competition issued by the Taiwan Association of Machinery Industry.
- PL-type fixed column CO2 laser cutter.

1993
- The development of the SP-type gantry vertical machining center was completed in April.
- The PMT-type moving column gantry vertical machining center was developed in May.

1994
- The SP-type gantry vertical machining center won the Taiwan Excellence Award.
- The development of the VP1050 small gantry vertical machining center was completed in September.
- Funded by the Industrial Development Bureau (development plan of new leading products) for the development of the HVC-type large gantry five-face machining center.

1995
- The VP-1050 gantry vertical machining center won the Eminence Award of Research and Development Innovative Product Competition issued by the Taiwan Association of Machinery Industry in March.
- The development of the LP-type gantry vertical machining center was completed in September.
- VP and SP gantry vertical machining centers were certified by AMTRI (CE) of the UK in September.
- The expansion of the plant covering an area of 1000 square meters (D plant) was completed in December.

1996
- The VP1050 gantry vertical machining center won the Taiwan Excellence Award.
- “Integrity, mutual benefit, enhancement and harmony” were established as the Company’s management ideas.
- The quality assurance system was certified by TUV RHEINLAND ISO 9001 of the Germany in October.
- The development of the VP1509/VP2012 small gantry vertical machining center was completed in December.

1997
- The LP-type machining center won the ITaiwan SMEs Innovation Award issued by the Ministry of Economic Affairs in February.
- The VP-type machining center won the Outstanding Award of the 5th Machine Tool Research and Development Innovative Product Competition issued by the Taiwan Association of Machinery Industry in March.
- The public offiering of shares was approved by the Securities and Futures Bureau, FSC in June.
- A capital of NT$302.02 million was increased in August.

1998 • The VP2012 machining center won the Taiwan Excellence Awards in April.
• A capital of NT$381.70 million was increased in June.
• It won the National Award of Outstanding SMEs on September 19.
• The construction of A1/A2 plant was completed in September.
• It was certified by ISO14001 in November.
• It obtained the product trademark of "Gantry Family" in December.
• It was officially listed in Taiwan Stock Exchange with a offering price of NT$36 on December 29.

1999 • In February, an investment was made to establish Baiwei Development Co., Ltd., holding shares of 99.99%.
• In March, the Company was funded by the development plan of new leading products of the Industrial Development Bureau for the development of the RV-type high-speed cutting and machining center.
• A capital of NT$423.11 million was increased in July.
• VB and LP gantry vertical machining centers were certified by AMTRI (CE) of the UK in August.
• The LP gantry vertical machining center won the Taiwan Excellence Award in December.

2000 • A capital of NT$466.68 million was increased in July.
• Over-the-Counter shares were listed on September 11.
• It won the Industrial Technology Advancement Award issued by the Ministry of Economic Affairs in September.
• The additional head positioning device won the patents of China and Taiwan.
• The development of the gantry vertical high-speed machining center, the new leading product of the Industrial Development Bureau, was completed.

2001 • To develop small vertical machining center series products, a new plant was rented in Taichung and the products were officially put into production in November.
• The large (6M×5M) crown block moving column machining center was completed.
• In March, Puwei Technology Co., Ltd. was established to develop production equipment for the electronics industry by international cooperation, and ODM completed the first two PCB drilling prototypes.
• In March, Shanghai Zhuwai Mechanical and Electrical Co., Ltd. was established in the third place and rented the plant in Shanghai Qingpu Industrial Zone, and began operation in November to greatly service and business capacity of Taiwanese companies in Mainland China.

2002 • The development of 16,701 square meters of adjacent agricultural land in Xinpu to industrial land was completed in August.
• In August, Dawei Mechantronic (Suzhou) Co., Ltd. was established in the third place Suzhou Xiangcheng Economic Development Zone.
• Horizontal model planning and prototype development were completed.
• The large crown block moving column machining center was listed successfully, in which one crown block was listed as Taiwan's first 14M×5M crown block.

2003 • The bridge type five-axis machining center won the Outstanding Award of Research and Development Innovative Product Competition in March.

• It was approved to apply to set up a branch in the Central Taiwan Science Park in August.

2005 • In March, the BL floor-type boring CNC horizontal machining center was successfully listed, and won the Eminence Award of Research and Development Innovative Product Competition.

• On June 30, the affiliated enterprise Puwei Technology Co., Ltd. applied for suspension of business for lack of investment benefits.

• In September, the Company was funded by the development plan of new leading products of the Industrial Development Bureau for the development of the CNC horizontal integrated machining center.

2006 • On January 25, the Company issued the first domestic unsecured convertible corporate bonds over the counter.

• In February, the Company negotiated with Japan's Toyoda Machine to cooperate in production and marketing, and product development.

• On April 25, the groundbreaking ceremony was held for the plant in the Taichung Science Park. The plant covered a rented area of 25,000 square meters, and a building area of 23,837 square meters.

2007 • In March, the newly developed five-axis machine F99U won the Eminence Award of Research and Development Innovative Product Competition.

• In April, the Company's first domestic unsecured convertible corporate bonds were all converted into ordinary shares, which were divided into 5,756,926 shares.

• In May, the Company was approved to apply to set up a branch in the Central Taiwan Science Park.

• In October, the Central Taiwan Science Park Plant was officially put into operation.

2008 • On March 8, people in the industry, government and academia and agents and supplies at home and abroad were invited to celebrate the opening of the Company's Central Taiwan Science Park Plant.

• In July, the transferred capital increase was NT$45,447 thousand, and the paid-in capital reached NT$829,011 thousand.

• In November, a subsidiary of AWEA (USA) was established as the sales market and service base for the development of gantry machines in the American region.

• In November, the subsidiary of Baiwei Development holding 100%, and the AWEA shares of NT$5,303,090 held by Baiwei Development were canceled, and the pain-in capital was NT$823,709 thousand.

• The development of new adjacent land of Hsinchu Plant was completed in December, and changed to industrial land.

2009 • In March, the five-axis machine FMV-45 won the Excellent Award of Research and Development Innovative Product Competition.

• In July, the capital transferred from surplus reserve reached NT$82,371 thousand, and the paid-in capital reached NT$906,080 thousand.

• In October, the expansion of Hsinchu Plant was commenced, which made preparations for the future medium-term development of AWEA.

- In November, the gantry moving beam MVP-5032 was launched to participate in the Taichung Automation Machinery Exhibition, opening a new milestone for the development of AWEA's gantry machines.

2010
- In November, Building A of Hsinchu Plant was officially rebuilt and put into use.
- In November, an investment was made to establish Jiawei Mechantronic Co., Ltd., holding shares of 100%.
- In November, the gantry crown block five-axis machining center LV6030 was launched to participate in the Taichung Automation Machinery Exhibition, opening a new milestone for the development of AWEA's gantry machines.
- The Company applied for conducting the Solid Foundation and Enhancement Research Plan of the Science Park with the Department of Mechanical Engineering of National Chung Hsing University.
- The Company applied for conducting the Development of High-precision Optical Installation Calibration System for Large Machines and Tools, an industry-university plan of the National Science and Technology Council with National Formosa University.

2011
- In January, the Company invested YAMA SEIKI USA INC., holding shares of 28.58%.
- In February, the office of Hsinchu Plant was officially put into use.
- In March, the Company invested in the establishment of AWEA Korea, holding shares of 100%.

2012
- In October, the results of the gantry-type friction stirring welder were published.
- In November, the gantry type five-axis machine was released and participated in exhibition.

2013
- In March, the high-precision horizontal boring and milling machine MB1512+APC won the Eminence Award of Research and Development Innovative Product Competition.

2014
- In January, Yih Chuan Machinery Industry Co., Ltd. joined AWEA Group, holding shares of 60%.
- In April, the first echelon of the AWEA Happy Life One Day Camp activity was organized in Taichung Plant.

2015
- In May, AWEA's second convertible corporate bonds were released, with a credit of NT$400 million.
- In November, the 2015 Happy Life One Day Camp activity was organized.
- The mass production of the five-axis machine FCV 620 begun, becoming a new force for the production and marketing of five-axis machines.
- MEGA5 large five-axis machines were expanded, and the preparation of series products was completed.

2016
- In September, the capital increase transferred from surplus reserve reached NT$45,997,220.
- In October, the construction of Dapumei New Plant was commenced.

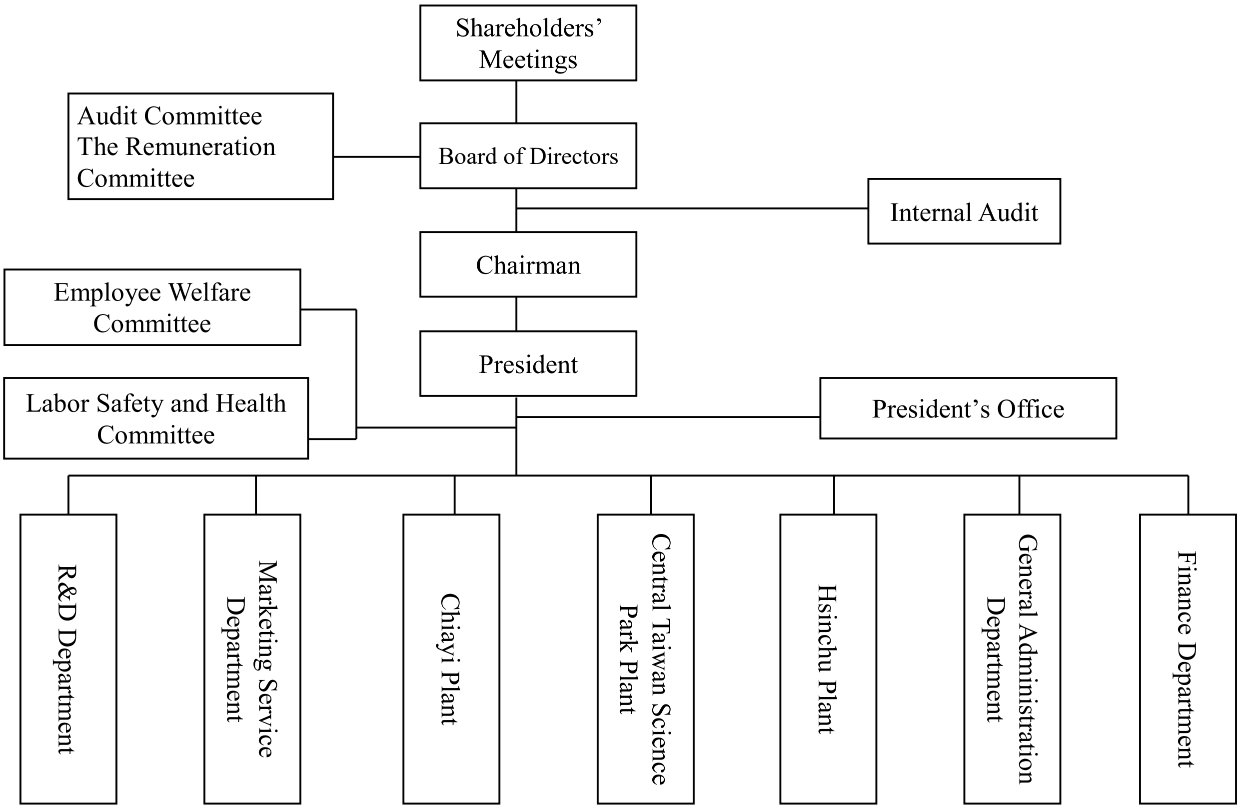
2017
- In March, the vertical five-axis machine FCV620 won the Eminence Award of Research and Development Innovative Product Competition.
- In December, Dapumei Plant was completed, and Chiayi Branch was established.

| | | |
|---|---|---|
| 2018 | • | Development of the AHM-800 horizontal integrated machine. |
| | • | Development of the EH5-500 horizontal five-axis machine. |
| 2019 | • | Development of the FCV-8000II new-generation five-axis machine. |
| 2020 | • | Development of the moving column moving beam machining center. |
| | • | Development and release of the intelligent information control system product. |
| | • | Development of production management function of the intelligent information control system. |
| | • | Development of the AD-550/500 two-spindle C-type machine. |
| 2021 | • | Optimization and development of the one-index AC full-automatic universal joint. |
| | • | Optimization and development of the 4,500RPM horizontal joint. |
| | • | Integration of the LB/EP fixed column gantry machine. |
| | • | Development of the diagnostic function of the machine. |
| 2022 | • | Development of VP-type 12KB internal spindle. |
| | • | Electrical design of the self-made tool changer. |
| | • | Development of the AU-680 high-rigidity moving column five-axis machine. |
| | • | Development of the intelligent spindle thermal displacement deep learning compensation technique. |
| | • | Development of the intelligent tapping deep learning automatic dispatch technique. |
| 2023 | • | Intelligent digital communication box. |
| | • | Intelligent information APP. |
| | • | Development of the Z800 linear guide vertical junction spindle box. |
| | • | Development of the tray storage system of the five-axis machine. |
| | • | The construction of Dapumei Phase II plant was commenced. |

# Chapter III. Corporate Governance

I. Organizational structure

(I) Organization chart




(II) Major corporate functions:

| Department name | Business |
|---|---|
| Internal Audit | Responsible for internal audit related business. |
| President's Office | Responsible for corporate culture, strategy/policy formulation, long-term development planning, workforce development, enterprise cooperation, business performance, information and project management, and other related businesses. |
| R&D Department | Coordinate the establishment of product technology, new product development/improvement, technical documentation management, intellectual property management, technical cooperation, R&D resource integration and other matters to maintain the market competitiveness of products. |
| Marketing Service Department | Responsible for the development of domestic and mainland markets and foreign sales markets, access establishment/management, customer services and complaints, after-sales services of products, product sales/collection, import and export and other matters, to achieve the annual goals of the Company. |

| Department name | Business |
|---|---|
| Chiayi Plant | Responsible for management and production, product quality/cost/delivery time, formulation of quality plans and targets, establishment and implementation of quality inspection/assurance systems, establishment of production technologies, capacity expansion, and product assembly, to achieve the annual production goals of the Company. |
| Central Taiwan Science Park Plant | Responsible for management and production, product quality/cost/delivery time, formulation of quality plans and targets, establishment and implementation of quality inspection/assurance systems, establishment of production technologies, capacity expansion, and product assembly, to achieve the annual production goals of the Company. |
| Hsinchu Plant | Responsible for management and production, product quality/cost/delivery time, formulation of quality plans and targets, establishment and implementation of quality inspection/assurance systems, establishment of production technologies, capacity expansion, and product assembly, to achieve the annual production goals of the Company. |
| General Administration Department | Responsible for administration, personnel management, stock affairs, and general affairs. |
| Finance Department | Comprehensively deal with the management, finance, accounting, accounts, investment and financial management, and other affairs of subsidiaries. |

II. Background information of Directors, Supervisor, President, Vice President, Assistant Manager, and heads of various departments and branches

(I) Profile of directors

1. Basic information

April 20, 2024; Unit: shares

| Title | Nationality and registry | Name | Gender / Age | Date elected | Term | Date first elected | Shares at election | | Current number of shares held | | Shareholdings of spouse and minor children | | Shares held in the names of others | | Major career (academic) achievements | Current duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as department heads, directors or supervisor | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | | | Title | Name | Relationship |
| Chairman | Taiwan | De-Hua Yang | Male 78 years old | June 7, 2023 | 3 years | May 29, 2002 | 9,031,403 | 9.35% | 9,031,403 | 9.35% | – | – | – | – | Education Recognitions:<br>Department of Mechanical Engineering, National Chung Hsing University<br>EMBA, National Chung Hsing University<br>Work experience:<br>Chairman and CEO of Goodway Machine Corp.<br>Chairman of Hung Jiu Machine Co., Ltd.<br>Chairman of JiaJin Investment Co., Ltd.<br>Chairman of Hong Hua Investment Co., Ltd.<br>Chairman of Huahan Leasing Co., Ltd.<br>Person in charge of B-way,Billion- way (Cayman)<br>Person in charge of YAMA SEIKI USA INC.<br>Director of Turvo International Co., Ltd.<br>Chairman of Yang Wenxu Charity Foundation | Chairman of the Company<br>Other companies:<br>Chairman and CEO of Goodway Machine Corp.<br>Chairman of Hung Jiu Machine Co., Ltd.<br>Chairman of JiaJin Investment Co., Ltd.<br>Chairman of Hong Hua Investment Co., Ltd.<br>Chairman of Huahan Leasing Co., Ltd.<br>Person in charge of B-way,Billion- way (Cayman)<br>Person in charge of YAMA SEIKI USA INC.<br>Managing Director of Precision Machinery Research Development Center<br>Managing Director of Taiwan Machine Tool Foundation<br>Chariman of Academia-Industry Consortium for Science Park in Central Taiwan<br>Director of Turvo International Co., Ltd.<br>Chairman of Yang Wenxu Charity Foundation | President<br>Director | Shang-Ru Yang<br>Qing-Feng Yang | Father and son<br>Brother-in-law |

| Title | Nationality and registry | Name | Gender / Age | Date elected | Term | Date first elected | Shares at election | | Current number of shares held | | Shareholdings of spouse and minor children | | Shares held in the names of others | | Major career (academic) achievements | Current duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as department heads, directors or supervisor | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | | | Title | Name | Relationship |
| Director | Taiwan | Goodway Machine Corp. | | June 7, 2023 | 3 years | May 29, 2002 | 47,941,311 | 49.63% | 47,962,311 | 49.65% | – | – | – | – | – | – | – | – | – |
| | Taiwan | Goodway Machine Corp. Representative: Cheng-Xuan Wang | Male 50 years old | June 7, 2023 | 2 years | April 2, 2021 | – | – | – | – | – | – | – | – | Education Recognitions: Bachelor's degree of Information Engineering and Computer Science, Feng Chia University<br>Work experience: Assistant manager of Marketing Planning Department of Goodway Machine Corp.<br>Awea Mechantronic (Suzhou) Ltd. Representative of juristic person<br>Representative of juristic person of Shanghai Zhuwai Mechanical and Electrical Co., Ltd.<br>Person in charge of Hung Jiu Investment Co., Ltd.<br>Person in charge of Hong Li Investment Co., Ltd. | Special Assistant to Chairman of the Company<br>Other companies: Assistant manager of Joint Marketing Planning Department of Goodway Machine Corp.<br>Representative of juristic person of Awea Mechantronic (Suzhou) Ltd.<br>Representative of juristic person of Shanghai Zhuwai Mechanical and Electrical Co., Ltd.<br>Person in charge of Hung Jiu Investment Co., Ltd.<br>Person in charge of Hong Li Investment Co., Ltd. | – | – | – |
| Director | Taiwan | Cheng-Jun Yang | Male 50 years old | June 7, 2023 | 3 years | August 18, 2021 | – | – | – | – | 1,000 | 0.00% | – | – | Education Recognitions: Executive Master of Business Administration, National Chung Hsing University<br>Work experience: Person in charge of Axtron Investment Ltd.<br>Chairman of Yih Chuan Machinery Industry Co., Ltd. | The Company: None<br>Other companies: Person in charge of Axtron Investment Ltd.<br>Chairman of Yih Chuan Machinery Industry Co., Ltd. | Chairman | De-Hua Yang | Father and son |
| Director | Taiwan | Qing-Feng Yang | Male 73 years old | June 7, 2023 | 3 years | August 18, 2021 | 130,000 | 0.13% | 130,000 | 0.13% | – | – | – | – | Education Recognitions: Bachelor's degree of Accounting, National Chung Hsing University<br>Work experience: Vice President of | The Company: None<br>Other companies: None. | Chairman | De-Hua Yang | Wife's uncle |

| Title | Nationality and registry | Name | Gender / Age | Date elected | Term | Date first elected | Shares at election | | Current number of shares held | | Shareholdings of spouse and minor children | | Shares held in the names of others | | Major career (academic) achievements | Current duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as department heads, directors or supervisor | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | | | Title | Name | Relationship |
| | | | | | | | | | | | | | | | Goodway Machine Corp. | | | | |
| Director | Taiwan | Goodway Machine Corp. Representative: Kun-Nan Zhuang | Male 74 years old | June 7, 2023 | 3 years | June 7, 2023 | 10,580 | – | 10,580 | 0.01% | 16,510 | 0.02% | – | – | Education Recognitions:<br>Wun Shan Elementary School<br>Work experience:<br>Director of Fittech Co., Ltd.<br>Chairman of Yo Hao Enterprise Co., Ltd. | The Company: None<br>Other companies:<br>Director of Fittech Co., Ltd.<br>Chairman of Yo Hao Enterprise Co., Ltd. | – | – | – |
| Independent Director | Taiwan | Zheng-Yong Huang | Male 74 years old | June 7, 2023 | 3 years | June 7, 2023 | – | – | – | – | – | – | – | – | Education Recognitions:<br>Department of Architecture, National Taipei University of Technolog<br>Bachelor’s degree of Civil and Construction Engineering, National Taiwan University of Science and Technology<br>Work experience:<br>Chairman of Te Chang Construction Co., Ltd.<br>Chairman of Wang Xin Development and Construction Co., Ltd.<br>Chairman of DG Rubber Co., Ltd.<br>Chairman of Classic Railway International CO., Ltd. | The Company: None<br>Other companies:<br>Chairman of Te Chang Construction Co., Ltd.<br>Chairman of Wang Xin Development and Construction Co., Ltd.<br>Chairman of DG Rubber Co., Ltd.<br>Chairman of Classic Railway International CO., Ltd. | – | – | – |
| Independent Director | Taiwan | Li-Ying Luo | Female 45 years old | June 7, 2023 | 3 years | June 7, 2023 | – | – | – | – | – | – | – | – | Education Recognitions:<br>Bachelor’s degree of National Kaohsiung First University of Science and Technology<br>Work experience:<br>Manage of Fittech Co., Ltd.<br>Assistant manager of Da Fon Environmental Technology Co., Ltd. | The Company: None<br>Other companies: None | – | – | – |

| Title | Nationality and registry | Name | Gender / Age | Date elected | Term | Date first elected | Shares at election | | Current number of shares held | | Shareholdings of spouse and minor children | | Shares held in the names of others | | Major career (academic) achievements | Current duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as department heads, directors or supervisor | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | | | Title | Name | Relationship |
| Independent Director | Taiwan | Yu-Ren Su | Male 45 years old | June 7, 2023 | 3 years | June 7, 2023 | – | – | – | – | – | – | – | – | Education Recognitions: Associate degree of Grossmont College Work experience: Management Information System Engineer of Dayungs Development Co., Ltd | The Company: None Other companies: Management Information System Engineer of Dayungs Development Co., Ltd | – | – | – |
| Independent Director | Taiwan | Xi-Peng Hong | Male 77 years old | June 7, 2023 | 3 years | June 10, 2020 | – | – | – | – | – | – | – | – | Education Recognitions: Master of Bio-Industrial Mechatronics Engineering, National Chung Hsing University Work experience: Lecturer of Department of Mechanical Engineering, Hsiuping University of Science and Technology | The Company: None Other companies: None. | – | – | – |

2. Major shareholders of juristic person shareholders

April 30, 2024

| Name of juristic person shareholder | Major shareholders of juristic person shareholders |
|---|---|
| Goodway Machine Corp. | De-Hua Yang (41.21%)<br>Hong Li Investment Co., Ltd. (7.16%)<br>JiaJin Investment Co., Ltd. (7.39%)<br>Yu En Investment Co., Ltd. (6.43%)<br>Zhi Yuan Investment Co., Ltd. (6.52%)<br>Zong Han Investment Ltd. (6.32%)<br>Axtron Investment Co., Ltd. (5.79%)<br>Fubon Life Insurance Co., Ltd. (3.29%)<br>Hong Hua Investment Co., Ltd. (2.61%)<br>Hung Jiu Investment Co., Ltd. (2.63%) |

3. The above table shows the major shareholders (top ten in the ratio of shareholding) of juristic person shareholders and their ratios of shareholding

| Name of juristic person | Major shareholders of juristic person |
|---|---|
| Hong Li Investment Co., Ltd. | De-Hua Yang (27.40%), Cheng-Jun Yang (24.20%), Shang-Ru Yang (24.20%), Shu-Han Yang (24.20%) |
| JiaJin Investment Co., Ltd. | De-Hua Yang (33.31%), Cheng-Jun Yang (22.50%), Shang-Ru Yang (22.47%), Shu-Han Yang (21.67%), De-Sheng Yang (0.02%), Chun-Mu Zhang (0.02%), Qing-Feng Yang (0.02%) |
| Yu En Investment Co., Ltd. | Shu-Han Yang (100.00%) |
| Zhi Yuan Investment Co., Ltd. | De-Hua Yang (46.60%), Cheng-Jun Yang (17.25%), Shang-Ru Yang (17.75%), Shu-Han Yang (17.75%), Qi-Guan Zeng (0.50%), De-Sheng Yang (0.05%), Chun-Mu Zhang (0.05%), Qing-Feng Yang (0.05%) |
| Zong Han Investment Co., Ltd. | Shang-Ru Yang (100.00%) |
| Axtron Investment Co., Ltd. | Cheng-Jun Yang (100.00%) |
| Fubon Life Insurance Co., Ltd. | Fubon Financial Holding Co., Ltd. (100.00%) |
| Hong Hua Investment Co., Ltd. | De-Hua Yang (27.40%), Cheng-Jun Yang (24.20%), Shang-Ru Yang (24.20%), Shu-Han Yang (24.20%) |
| Hung Jiu Investment Co., Ltd. | De-Hua Yang (31.33%), Shu-Han Yang(12.50%), Shang-Ru Yang (12.50%), Jiang-Bin Jiang(8.33%), Su-Wan Xiao (8.33%), Shang-Hua Jiang(5.00%) Qing-Zhang Wu (5.00%), Yu En Investment Co., Ltd. (4.17%), Zong Han Investment Ltd. (4.17%), Zhi-Chang Cai (3.33%), Zhen-Zhong Zheng (1.67%), Zhen-Chuan You (0.33%) |

4. Disclosure of professional qualification of the directors and independence of directors:

| Qualification / Name | Professional qualification and experience | Compliance of independence (Note) | Number of positions as an Independent Director in other public listed companies |
|---|---|---|---|
| De-Hua Yang | Education Recognitions:<br>Bachelor’s degree of Mechanical Engineering, National Chung Hsing University<br>EMBA, National Chung Hsing University<br>Work experience:<br>Chairman and CEO of Goodway Machine Corp.<br>Chairman of Hung Jiu Machine Co., Ltd.<br>Chairman of JiaJin Investment Co., Ltd.<br>Chairman of Hong Hua Investment Co., Ltd.<br>Chairman of Huahan Leasing Co., Ltd.<br>Person in charge of B-way,Billion-way (Cayman)<br>Person in charge of YAMA SEIKI USA INC.<br>Managing Director of Precision Machinery Research Development Center<br>Managing Director of Taiwan Machine Tool Foundation<br>Chariman of Academia-Industry Consortium for Science Park in Central Taiwan<br>Director of Turvo International Co., Ltd.<br>Chairman of Yang Wenxu Charity Foundation | (8)(9)(11)(12) | None |
| Goodway Machine Corp.<br>Representative:<br>Cheng-Xuan Wang | Education Recognitions:<br>Bachelor’s degree of Information Engineering and Computer Science, Feng Chia University<br>Work experience:<br>Chairman of Hung Jiu Investment Co., Ltd.<br>Assistant manager of Joint Marketing Planning Department of Goodway Machine Corp.<br>Special Assistant to Chairman of AWEA Mechantronic Co., Ltd. | (3)(4)(5)(6)(7)(8)(9)(10)(11)(12) | None |
| Goodway Machine Corp.<br>Representative:<br>Kun-Nan Zhuang | Education Recognitions: Wun Shan Elementary School<br>Work experience:<br>Director of Fittech Co., Ltd.<br>Chairman of Yo Hao Enterprise Co., Ltd. | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12) | None |
| Cheng-Jun Yang | Education Recognitions:<br>Master of Business Administration, National Chung Hsing University<br>Work experience:<br>Person in charge of Axtron Investment Ltd.<br>Chairman of Yih Chuan Machinery Industry Co., Ltd. | (5)(8)(9)(11)(12) | None |

| Qualification / Name | Professional qualification and experience | Compliance of independence (Note) | Number of positions as an Independent Director in other public listed companies |
|---|---|---|---|
| Qing-Feng Yang | Education Recognitions:<br>Bachelor’s degree of Accounting, National Chung Hsing University<br>Work experience:<br>Vice President of Goodway Machine Corp. | (1)(2)(3)(5)(6)(7)(8)(9)(11)(12) | None |
| Zheng-Yong Huang (Independent Director) | Education Recognitions:<br>Department of Architecture, National Taipei University of Technolog<br>Bachelor’s degree of Civil and Construction Engineering, National Taiwan University of Science and Technology<br>Work experience:<br>Chairman of Te Chang Construction Co., Ltd.<br>Chairman of Wang Xin Development and Construction Co., Ltd.<br>Chairman of DG Rubber Co., Ltd.<br>Chairman of Classic Railway International CO., Ltd. | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12) | None |
| Li-Ying Luo (Independent Director) | Education Recognitions:<br>Bachelor’s degree of National Kaohsiung First University of Science and Technology<br>Work experience:<br>Manage of Fittech Co., Ltd.<br>Assistant manager of Da Fon Environmental Technology Co., Ltd. | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12) | None |
| Yu-Ren Su (Independent Director) | Education Recognitions:<br>Associate degree of Grossmont College<br>Work experience:<br>Management Information System Engineer of Dayungs Development Co., Ltd | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12) | None |
| Xi-Peng Hong (Independent Director) | Education Recognitions:<br>Master of Bio-Industrial Mechatronics Engineering, National Chung Hsing University<br>Work experience:<br>Lecturer of Department of Mechanical Engineering, Hsiuping University of Science and Technology | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12) | None |

Note: The directors and supervisors who meet the following conditions in the two years before the election and during the term of his/her office, please fill in the code.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in case where the person is an independent director of the company, its parent company or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a manager of (1) or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).

(5) Not a director, supervisor or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or ranks as one of its top five shareholders or was appointed pursuant to Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, in case where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(6) Not a director, supervisor, or employee of another company where a majority of the Company's directorships or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(7) Not the same person as the Company's Chairman, President or person with equivalent position or the director (managing director), supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(9) Not a professional individual who or an owner, partner, director (managing director), supervisor or officer of a sole proprietorship, partnership, company or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the last two years with an accumulated service compensation of less than NT$500 thousand or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers and Acquisitions Act.

(10) Not a spouse or a relative within the second degree of kinship of any other director of the Company.

(11) Not meet any descriptions stated in Article 30 of the Company Act.

(12) Not a governmental, juridic person or its representative as defined in Article 27 of the Company Act.

(II) Background information of President, Vice Presidents, Assistant Managers, and the heads of various departments and branches

April 20, 2024; Unit: shares

| Title | Nationality | Name | Gender | Date elected | Shares held | | Shareholdings of spouse and minor children | | Shares held in the names of others | | Major career (academic) achievements | Current positions in the company and other companies | Spouse or relatives of second degree or closer acting as managerial officers | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | | | Title | Name | Relationship | |
| President | Taiwan | Shang-Ru Yang | Male | October 1, 2023 | – | – | 661 | 0.00% | – | – | Master of Business Administration, National Chung Hsing University | President of AWEA Mechantronic Co., Ltd.<br>Person in charge of Zonghan Investment Co., Ltd.<br>Director of Fittech Co., Ltd.<br>Director of Universal Microelectronics Co., Ltd. | – | – | – | Note 1 |
| Vice Presidents | Taiwan | Chang-Chi Yang | Male | April 2, 2021 | – | – | – | – | – | – | EMBA, Feng Chia University | President of Shanghai Zhuwai Mechanical and Electrical Co., Ltd.<br>Director and President of Awea Mechantronic (Suzhou) Ltd. | – | – | – | |
| Vice Presidents | Taiwan | Rui-Ming Ye | Male | September 1, 2016 | – | – | – | – | – | – | Bachelor’s degree of Mechanical Engineering at Tamkang University | Direcotr of Awea Mechantronic (Suzhou) Ltd. | – | – | – | |

Note 1: Based on the need of business philosophy inheritance, the chairman of the Company is a relative of first degree of the president. Methods to respond include: more than half of the directors are not the employees or managerial officers.

(III) Remuneration payment to directors, supervisor, president, and vice president in the latest year

1. Director's remuneration

December 31, 2023
Unit: NT$ thousand; %

| Title | Name | Director's remuneration | | | | | | | | The sum of A, B, C and D as a percentage of after-tax net profit | | Remuneration as an employee | | | | | | | | The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit | | Remuneration received from the invested companies other than the subsidiaries and the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Pension (B) | | Remuneration to directors (C) | | Fees for services rendered (D) | | | | Salaries, bonuses, special allowances etc. (E) | | Pension (F) | | Compensation to employees. (G) | | | | | | |
| | | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | | All companies shown in the financial report | | The Company | All companies shown in the financial report | |
| | | | | | | | | | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| Chairman | De-Hua Yang | - | - | - | - | 550 | 550 | 35 | 35 | 585<br>0.28% | 585<br>0.28% | - | - | - | - | - | - | - | - | 585<br>0.28% | 585<br>0.28% | None |
| Director | Goodway Machine Corp. | - | - | - | - | 550 | 550 | - | - | 550<br>0.26% | 550<br>0.26% | - | - | - | - | - | - | - | - | 550<br>0.26% | 550<br>0.26% | None |
| Director | Goodway Machine Corp. Representative: Cheng-Xuan Wang | - | - | - | - | - | - | 35 | 35 | 35<br>0.02% | 35<br>0.02% | 240 | 652 | - | - | 100 | - | 100 | - | 375<br>0.18% | 787<br>0.37% | None |
| Director | Goodway Machine Corp. Representative: Kun-Nan Zhuang | - | - | - | - | - | - | 20 | 20 | 20<br>0.01% | 20<br>0.01% | - | - | - | - | - | - | - | - | 20<br>0.01% | 20<br>0.01% | None |
| Director | Cheng-Jun Yang | - | - | - | - | 275 | 275 | 30 | 30 | 305<br>0.14% | 305<br>0.14% | - | - | - | - | - | - | - | - | 305<br>0.14% | 305<br>0.14% | None |
| Director | Qing-Feng Yang | - | - | - | - | 275 | 275 | 35 | 35 | 310<br>0.15% | 310<br>0.15% | - | - | - | - | - | - | - | - | 310<br>0.15% | 310<br>0.15% | None |
| Independent Director | Yi-Min Lin | - | - | - | - | - | - | 15 | 15 | 15<br>0.01% | 15<br>0.01% | - | - | - | - | - | - | - | - | 15<br>0.01% | 15<br>0.01% | None |
| Independent Director | Lian-Fa Yang | - | - | - | - | - | - | 10 | 10 | 10<br>0.00% | 10<br>0.00% | - | - | - | - | - | - | - | - | 10<br>0.00% | 10<br>0.00% | None |

| Title | Name | Director's remuneration | | | | | | | | The sum of A, B, C and D as a percentage of after-tax net profit | | Remuneration as an employee | | | | | | | | The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit | | Remuneration received from the invested companies other than the subsidiaries and the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Pension (B) | | Remuneration to directors (C) | | Fees for services rendered (D) | | | | Salaries, bonuses, special allowances etc. (E) | | Pension (F) | | Compensation to employees. (G) | | | | | | |
| | | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company: Cash amount | The Company: Stock amount | All companies shown in the financial report: Cash amount | All companies shown in the financial report: Stock amount | The Company | All companies shown in the financial report | |
| Independent Director | Li-Ying Luo | - | - | - | - | 275 | 275 | 20 | 20 | 295<br>0.14% | 295<br>0.14% | - | - | - | - | - | - | - | - | 295<br>0.14% | 295<br>0.14% | None |
| Independent Director | Yu-Ren Su | - | - | - | - | 275 | 275 | 20 | 20 | 295<br>0.14% | 295<br>0.14% | - | - | - | - | - | - | - | - | 295<br>0.14% | 295<br>0.14% | None |
| Independent Director | Zheng-Yong Huang | - | - | - | - | 275 | 275 | 15 | 15 | 290<br>0.14% | 290<br>0.14% | - | - | - | - | - | - | - | - | 290<br>0.14% | 290<br>0.14% | None |
| Independent Director | Xi-Peng Hong | - | - | - | - | 275 | 275 | 35 | 35 | 310<br>0.15% | 310<br>0.15% | - | - | - | - | - | - | - | - | 310<br>0.15% | 310<br>0.15% | None |

Note: 1. Director Cheng-Jun Yang was provided with a car, at the cost of NT$3,675 thousand, and book value at NT$1,888 thousand. (It was not included in the salary, bonus and special expenditures for 2023)

2. President's and managerial officers' remuneration

December 31, 2023
Unit: NT$ thousand; %

| Title | Name | Salary (A) | | Pension (B) | | Bonuses, special allowances etc. (C) (Note) | | Compensation to employees. (D) | | | | The sum of A, B, C and D as a percentage of after-tax net profit (%) | | Remuneration received from the invested companies other than the subsidiaries and the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | The Company | | All companies shown in the financial report | | | | |
| | | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | Cash amount | Stock amount | Cash amount | Stock amount | The Company | All companies shown in the financial report | |
| President | Shang-Ru Yang | 450 | 450 | 27 | 27 | 144 | 144 | 1,000 | - | 1,000 | - | 1,621<br>0.77% | 1,621<br>0.77% | None |
| Vice Presidents | Rui-Ming Ye | 1,352 | 1,352 | 104 | 104 | 270 | 270 | 390 | - | 390 | - | 2,116<br>1.00% | 2,116<br>1.00% | None |
| Vice Presidents | Chang-Chi Yang | 987 | 2,731 | 85 | 85 | 950 | 1,348 | 250 | - | 250 | - | 2,272<br>1.08% | 4,414<br>2.09% | None |
| Assistant Manager | Hong-Bin Syu | 973 | 973 | 64 | 64 | 190 | 190 | 280 | - | 280 | - | 1,507<br>0.71% | 1,507<br>0.71% | None |

Note: 1. All pensions in 2023 were set aside, and 2% was set aside according to the old system and 6% was set aside according to the new system.

3. Remuneration of the top five highest-paid supervisors

December 31, 2023
Unit: NT$ thousand; %

| Title | Name | Salary (A) | | Pension (B) | | Bonuses, special allowances etc. (C) (Note) | | Compensation to employees. (D) | | | | The sum of A, B, C and D as a percentage of after-tax net profit (%) | | Remuneration received from the invested companies other than the subsidiaries and the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | All companies shown in the financial report | The Company | | All companies shown in the financial report | | The Company | All companies shown in the financial report | |
| | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| President | Shang-Ru Yang | 450 | 450 | 27 | 27 | 144 | 144 | 1,000 | - | 1,000 | - | 1,621<br>0.77% | 1,621<br>0.77% | None |
| Vice Presidents | Rui-Ming Ye | 1,352 | 1,352 | 104 | 104 | 270 | 270 | 390 | - | 390 | - | 2,116<br>1.00% | 2,116<br>1.00% | None |
| Vice Presidents | Chang-Chi Yang | 987 | 2,731 | 85 | 85 | 950 | 1,348 | 250 | - | 250 | - | 2,272<br>1.08% | 4,414<br>2.09% | None |
| Assistant Manager | Hong-Bin Syu | 973 | 973 | 64 | 64 | 190 | 190 | 280 | - | 280 | - | 1,507<br>0.71% | 1,507<br>0.71% | None |

4. Names of the managerial officers received employee's remuneration and the distribution status

December 31, 2023

Unit: NT$ thousand; %

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock amount</th><th>Cash amount</th><th>Total</th><th>As a percentage of after-tax net profit (%)</th></tr>
<tr><td rowspan="4">Managerial officers</td><td>President</td><td>Shang-Ru Yang</td><td rowspan="4">—</td><td rowspan="4">1,920</td><td rowspan="4">1,920</td><td rowspan="4">0.91%</td></tr>
<tr><td>Vice Presidents</td><td>Chang-Chi Yang</td></tr>
<tr><td>Vice Presidents</td><td>Rui-Ming Ye</td></tr>
<tr><td>Assistant Manager of Finance Department</td><td>Hong-Bin Syu</td></tr>
</table>

Note 1: The amount of compensation distributed to employees is resolved by the shareholders' meeting, and the proposed amount for the current year is estimated on the basis of the actual distribution proportion of the previous year.

5. Compare and state the ratio of total remuneration paid to the Company's Directors, Supervisors, President, and Vice President. by the Company and the companies in the consolidated financial statements to net income in the last two years; also, describe the policy, standard, and combination of remuneration paid; moreover, the procedure of defining remuneration and its relation to business performance and future risks

| Title | The Company | | Consolidated financial statements | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| Director | 1.87% | 1.59% | 2.04% | 1.79% |
| Supervisor | - | - | - | - |
| President and managerial officers | 2.99% | 3.57% | 3.72% | 4.58% |

Note: The information for 2023 includes the earnings distribution proposal. The earnings distribution proposal has been resolved by the shareholders' meeting, of which the proposed amount of employees' compensation for the current year is estimated on the basis of the actual distribution proportion of the previous year.

Description:

(1) In accordance with Article 20 of the Articles of Incorporation of the Company, the Company shall pay remunerations to the directors for their execution of positions in the Company, and the remunerations to the Chairman and directors shall be authorized to be determined by the Board of Directors according to the degree of their participation in the operation of the Company and the value of their contributions, taking into account both the domestic and foreign industry standards. In addition to the above remunerations, the directors may receive traffic allowance for participating in board meetings.

(2) As stipulated in Article 27 of the Articles of Incorporation of the Company, "If the Company has profit in the year (the so-called profit refers to the profit before tax, and before deduction of employee compensation and directors' remuneration), it shall set aside 3%-8% of the profit as employees' compensation, and set aside no more than 2% as directors' remuneration…".

(3) In general, a director who is also an employee shall be paid a reasonable salary according to the salary standard of the Company, taking into account the salary level of such employee in the peer market, his/her scope of authority and responsibility within the Company, his/her contribution to the business objectives of the Company and the decision risk borne by the position.

(4) As for the directors' remuneration, in addition to considering the overall operating performance of the Company, reasonable directors' remuneration shall be given with reference to the results of the profit margin, operating efficiency and performance evaluation of the year, and the directors' remuneration system shall be reviewed at any time in accordance with the actual operating conditions and relevant laws and regulations. The directors' remuneration shall be reviewed by the Remuneration Committee and resolved by the by the Board of Directors.

(5) Analysis on change in the last two years: None

(6) No remuneration was paid to supervisors due to the establishment of the Audit Committee in 2022 and 2023.

III. Corporate governance

(I) Information on the operation of the Board of Directors

1. The Board of Directors held 9 meetings (A) in the latest year and the participation of the directors are shown below:

December 31, 2023

| Title | Name | Actual attendance (B) | Proxy Attendance | Actual attendance rate (%) [B/A] | Remark |
|---|---|---|---|---|---|
| Chairman | De-Hua Yang | 9 | — | 100.00% | Re-elected on June 7, 2023 |
| Director | Goodway Machine Corp. Representative: Cheng-Xuan Wang | 9 | — | 100.00% | Re-elected on June 7, 2023 |
| Director | Goodway Machine Corp. Representative: Kun-Nan Zhuang | 6 | — | 100.00% | Newly elected on June 7, 2023 |
| Director | Cheng-Jun Yang | 8 | 1 | 80.00% | Re-elected on June 7, 2023 |
| Director | Qing-Feng Yang | 9 | — | 100.00% | Re-elected on June 7, 2023 |
| Independent Director | Lian-Fa Yang | 2 | — | 66.67% | Discharged on June 7, 2023 |
| Independent Director | Yi-Min Lin | 3 | — | 100.00% | Discharged on June 7, 2023 |
| Independent Director | Li-Ying Luo | 6 | — | 100.00% | Newly elected on June 7, 2023 |
| Independent Director | Zheng-Yong Huang | 5 | 1 | 83.33% | Newly elected on June 7, 2023 |
| Independent Director | Yu-Ren Su | 6 | — | 100.00% | Newly elected on June 7, 2023 |
| Independent Director | Xi-Peng Hong | 9 | — | 100.00% | Re-elected on June 7, 2023 |
| Other remarks:<br>I. Issues required under Article 14-3 of Securities and Exchange Act are other resolutions of the Board of Directors to which independent directors have objection or reserve opinions and which are recorded or declared in writing, and shall specify the date, term, the contents of the proposals, the opinions of all independent directors, and the processing of the opinions proposed by the independent directors: None. | | | | | |

II. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

(1) The first meeting of the 13th Board of Director on June 7, 2023
Proposal for election of the chairman of the Company.
Since director De-Hua Yang who was interested in the proposal has avoided from the discussion and voting in the proposal, independent director Zheng-Yong Huang acted as the chairperson at voting.
Resolution: The proposal was approved without objection by other directors after the independent director Zheng-Yong Huang has consulted the directors present at the meeting, other than director De-Hua Yang who has avoided from the meeting according to law.

(2) The fourth meeting of the 13th Board of Director on September 28, 2023
Proposal for appointment of De-Hua Yang, the Chairman of the Company, as the CEO.
Since the Chairman De-Hua Yang who had individual interest in the proposal has avoided from the discussion and voting in the proposal, independent director Li-Ying Luo acted as the chairperson at voting.
Resolution: The proposal was approved without objection by other directors after the independent director Li-Ying Luo has consulted the directors present at the meeting, other than director De-Hua Yang who has avoided from the meeting according to law.

(3) The fourth meeting of the 13th Board of Director on September 28, 2023
Proposal for appointment of special assistant of the Company's Chairman.
Director Cheng-Xuan Wang who had individual interest in the proposal has avoided from the discussion and voting in the proposal.
Resolution: The proposal was approved without objection by other directors after the chairperson has consulted the directors present at the meeting, other than director Cheng-Xuan Wang who has avoided from the meeting according to law.

(4) The fourth meeting of the 13th Board of Director on September 28, 2023
Proposal for non-competition exclusion on special assistant of the Company's Chairman.
Director Cheng-Xuan Wang who had individual interest in the proposal has avoided from the discussion and voting in the proposal.
Resolution: The proposal was approved without objection by other directors after the chairperson has consulted the directors present at the meeting, other than director Cheng-Xuan Wang who has avoided from the meeting according to law.

III. Targets for strengthening the functions of the Board of Directors during the current and the latest years (e.g., set up an Audit Committee, and enhance information transparency) and the evaluation of the implementation status: enhance information transparency, and strengthen corporate governance.

2. The implementation of the Board of Directors evaluation:

| Evaluation cycle | Evaluation period | Evaluation scope | Evaluation method | Evaluation content |
|---|---|---|---|---|
| Evaluation performed once a year | June 7, 2023 - December 31, 2023 (Re-election of directors) | Board of Directors | Internal self-evaluation of the Board of Directors | 1. Level of participation in the Company's operations<br>2. Improvement of the quality of the board of directors' decision making<br>3. Composition and structure of the board of directors<br>4. Election and continuing education of the directors<br>5. Internal Control |
| Evaluation performed once a year | June 7, 2023 - December 31, 2023 (Re-election of directors) | Board members | Self-evaluation of the board members | 1. Director's awareness toward the Company's goals and missions<br>2. Director's awareness to duties<br>3. Level of participation in the Company's operations<br>4. Management and communication of internal relations<br>5. Professionalism and continuing education of directors<br>6. Internal Control |
| Evaluation performed once a year | June 15, 2023 - December 31, 2023 (Re-election of directors) | Remuneration Committee | Internal self-evaluation of the Remuneration Committee | 1. Level of participation in the Company's operations<br>2. Awareness of the duties of Remuneration Committee.<br>3. Improvement of the quality of the Remuneration Committee's decision making<br>4. Remuneration Committee's composition and election of its members<br>5. Internal Control |
| Evaluation performed once a year | June 7, 2023 - December 31, 2023 (Re-election of directors) | Audit Committee | Internal self-evaluation of the Audit Committee | 1. Level of participation in the Company's operations<br>2. Awareness of the duties of Audit Committee.<br>3. Improvement of the quality of the Audit Committee's decision making<br>4. Audit Committee's composition and election of its members<br>5. Internal Control |

(II) Information on the operation of the Audit Committee

1. The Audit Committee held 5 meetings(A) in the latest year and the participation of the independent director are shown below:

December 31, 2023

| Title | Name | Actual attendance (B) | Proxy Attendance | Actual attendance rate (%) (B/A) | Remark |
|---|---|---|---|---|---|
| Independent Director | Lian-Fa Yang | 1 | 0 | 50.00% | Discharged on June 7, 2023 |
| Independent Director | Yi-Min Lin | 2 | 0 | 100.00% | Discharged on June 7, 2023 |
| Independent Director | Li-Ying Luo | 3 | 0 | 100.00% | Newly elected on June 7, 2023 |
| Independent Director | Zheng-Yong Huang | 2 | 1 | 67.00% | Newly elected on June 7, 2023 |
| Independent Director | Yu-Ren Su | 3 | 0 | 100.00% | Newly elected on June 7, 2023 |
| Independent Director | Xi-Peng Hong | 5 | 0 | 100.00% | Re-elected on June 7, 2023 |

Other remarks:

I. Where any one among those enumerated below exists as the performance by the Audit Committee, the convention date, term, contents of agenda, outcome of the decision resolved in the Audit Committee as well as the Company's opinions toward the Audit Committee's opinions should be expressly remarked:
   1. Issues required under Article 14-5 of the Securities and Exchange Act: None.
   2. Except the aforementioned issue, other issue not yet resolved in the Audit Committee but has been duly resolved by two-thirds majority of the total number of director seats: None

II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: None.

III. Facts of communications by and between independent directors and internal audit supervisors as well as CPA(s) (should include issues regarding the Company's financial conditions, facts in business operation and such key issues, the method of communications and the outcome thereof).
   1. They submit the audit and tracking reports to the convenor for inspection at least once a quarter, and report the audit results, improvement of audit deficiencies and the Company's financial conditions and facts in business operation of the month, and the convenor gives the review comments on the audit report.

|  |
|---|
| 2. The internal audit supervisors and CPAs attend the Audit Committee, to which they report the audit work and the audit methods and scope of CPAs, and major audit adjustments and descriptions. CPAs communicate and discuss with directors and the Audit Committee at irregular intervals. In addition to communications at the meeting, the audit supervisors, CPAs, and independent directors may directly contact and communicate with independent directors as needed to maintain good interaction. |

(III) Implementation status of corporate governance, any deviation from the Corporate Governance Best Practice Principles for TWSE/ TPEx Listed Companies, and the reason

| Assessment items | Implementation status | | | Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| I. Will the Company based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies set up and disclose the Company's corporate governance best-practice principles? | ✓ | | The Company's Board of Directors has set up the Corporate Governance Best Practice Principles, and all operations are handled based on the principles. So far, there have been no major deviations. | It complies with the Corporate Governance Best Practice Principles. |
| II. Shareholding structure and shareholders' equity | | | | |
| (I) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly? | ✓ | | (I) The Company has spokesperson and deputy spokesperson as a channel to express its opinions, and instructs the Stock Affairs Department to deal with disputes. | It complies with the Corporate Governance Best Practice Principles. |
| (II) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders? | ✓ | | (II) This is handled by the stock affairs department and the stock service agent of the securities company. | |
| (III) Will the Company establish and implement the risk control and firewall mechanisms with the related parties? | ✓ | | (III) They have been formulated in the Company's internal control system. | |
| (IV) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities? | ✓ | | (IV) The Company has established the Procedures for Preventing Insider Trading, which prohibits insiders from utilizing the undisclosed information to trade securities. | |

| Assessment items | Implementation status | | | Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| III. The constitution and obligations of the board of directors | | | | |
| (I) Does the Board formulate a diversity policy, specific management objectives and implemented them? | ✓ | | (I) To strengthen the corporate governance and promote the sound development of the constitution and structure of the Board of Directors, the Board shall consider diversity, and propose an appropriate diversity policy for its own operation, business type and development needs for the constitution of board members, including but not limited to the following two aspects: 1. Basic conditions and values, such as gender, age, nationality and culture, and female directors shall account for one-third of all directors. 2. Professional knowledge and skills, such as professional background (e.g., law, accounting, industry, finance, marketing or science and technology), professional skills, and industrial experience.<br>In accordance with Article 20 of the Company's Corporate Governance Best-Practice Principles, board members shall have general knowledge, skills and qualities required for the performance of duties. To achieve the ideal goal of corporate governance, board members shall have general knowledge, skills and qualities required for the performance of duties. Specific management objectives are as follows: 1. Operation judgment ability. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Risk handling ability. 5. Knowledge of the industry. 6. International market perspective. 7. Leadership. 8. Decision-making ability.<br>Specific management objectives: Directors who concurrently serve as managerial officers shall not exceed one-third of all directors. There shall be no spouse or relative within the second degree of kinship with more than half of directors. The chairman and president shall not be the same person. At least one-third of the directors shall have the knowledge, skills and qualities required | It complies with the Corporate Governance Best Practice Principles. |

| Assessment items | Implementation status | | | Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | for the industry. There shall be at least one female director. The number of independent directors shall not be less than one-third of all directors. The term of office of an independent director shall not exceed three consecutive terms. At least one-third of independent directors shall have legal, financial, accounting or technology expertise. All the above have been implemented. | |
| (II) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? | | ✓ | (II) The Company has set the Remuneration Committee and Audit Committee lawfully, and other functional committees are being evaluated. | |
| (III) Does the company establish a method to evaluate board performance and evaluate board performance every year? Are the performance evaluation results reported to the board and used as a reference for the remuneration and nomination for re-election of directors? | ✓ | | (III) The Company formulated the method for evaluation of the Board of Directors' performance at the Board of Directors in the first quarter of 2010, and performs the evaluation annually. The evaluation shall cover at least five aspects: 1. Degree of its participation in the Company's operating; 2. Improvement of the Board of Directors' decision-making quality; 3. Constitution and structure of the Board of Directors; 4. Election of and continuing education for directors; 5. Internal control. The evaluation method is that the performance is self-evaluated by directors in accordance with Board of Directors' Performance Evaluation Form, and the relevant units summarize and report the performance evaluation results to the Board of Directors and use them as a reference for the remuneration and nomination for re-election of directors. The results of the latest evaluation were reported to the Board on April 11, 2023.<br>The method was modified in 2023, specifying that the evaluation on the Board of Directors' performance shall be carried out at least once every three years by an external professional independent agency or an external team of experts and scholars. The latest evaluation was commissioned to the Taiwan Investor Relations Institute | |

| Assessment items | Implementation status | | | Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | (TIRI) on October 11, 2023, covering five aspects: 1. Constitution and professional development of the Board of Directors; 2. Decision-making quality of the Board of Directors; 3. Operating effectiveness of the Board of Directors; 4. Internal control and risk management; 5. Degree of the participation of the Board of Directors in corporate social responsibility. The evaluation method is that the Board of Directors' performance from January 1 to December 31, 2023 was evaluated based on the Board minutes, current internal policy, other auxiliary documents and public information provided by the Company, and directors' self-evaluation questionnaire and on-site and on-line interview results, and the evaluation results were reported to the Board of Directors on March 5, 2024. | |
| (IV) Will the Company have the independence of the public accountant evaluated regularly? | ✓ | | (IV) The Company's Audit Committee evaluates the independence and competence of the CPAs annually, and reports the evaluation results to the Board of Directors. The latest evaluation was resolved and approved by the Audit Committee on May 8, 2023 and reported to the Board of Directors for resolution and approval on May 8, 2023. Evaluation items: 1. Not an employee of the Company or any of its affiliated enterprises; 2. Not a director or supervisor of the Company or any of its affiliated enterprises (except for an independent director of the Company, or its parent company, and a subsidiary in which the Company directly or, indirectly holds more than 50% of the shares with voting rights); 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregated amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders. 4. Not a spouse, relative | The Company's CPAs can review the Company's financial operations in a transcendent independent way. |

| Assessment items | Implementation status | | | Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three items. 5. Not a director, supervisor or employee of a juristic person shareholder that directly holds 5% or more of the total number of issued shares of the Company or ranks as one of its top five juristic person shareholders. 6. Not a director (managing director), supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company. 7. Not a spouse or a relative within the second degree of kinship of any other director of the Company. 8. Not meet any descriptions stated in Article 30 of the Company Act. 9. Not a governmental, juridic person or its representative as defined in Article 27 of the Company Act. 10. Whether the Declaration of Transcendent Independence issued by the appointed CPAs and the audit team is adopted. Evaluation results: The appointed CPAs do not have the conditions described in the above independence evaluation items, which confirms that the CPAs are independent. | |
| IV. Has the TWSE/ TPEx listed company appointed an appropriate number of competent corporate governance persons and designated a corporate governance officer to be responsible for corporate governance-related affairs (including but not limited to providing the data required for directors and supervisors to perform duties, assisting directors and supervisors in compliance with laws and regulations, dealing with the matters related to the Board of Directors' meeting and Shareholders' Meeting, and preparing minutes of the Board of Directors' meeting and Shareholders' Meeting)? | ✓ | | The Company appointed the Financial Department and General Administration Department to be responsible for corporate governance-related affairs (including but not limited to providing the data required for directors and supervisors to perform duties, dealing with the matters related to the Board of Directors' meeting and Shareholders' Meeting, handling the registration of the Company and its changes, and preparing minutes of the Board of Directors' meeting and Shareholders' Meeting). | It complies with the Corporate Governance Best Practice Principles. |

| Assessment items | Implementation status | | | Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| V. Has the Company established a channel for communication with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), and set up a stakeholder section on the Company's website, and does it properly respond to the important issues about corporate social responsibilities that stakeholders concerns? | ✓ | | The Company has spokesperson and deputy spokesperson as a channel for external communication, and has set up a special area for stakeholders on its website. | It complies with the Corporate Governance Best Practice Principles. |
| VI.Has the Company commissioned a professional stock service agent to handle shareholders affairs? | ✓ | | The Company has commissioned the Stock Transfer Agency Department of Taishin International Bank to handle shareholders affairs. | It complies with the Corporate Governance Best Practice Principles. |
| VII. Disclosure of information<br>(I) Does the Company have a website setup and the financial business and corporate governance information disclosed? | ✓ | | (I) The Company has a website setup and the relevant financial, business and corporate governance information of the Company can be inquired on the website. | It complies with the Corporate Governance Best Practice Principles. |
| (II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)? | ✓ | | (II) The Company has established a special person for collecting and disclosing information of the Company, to implement the spokesperson system. | |
| (III) Does the company announce and report its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2 and Q3 as well as status of monthly operations? | | ✓ | (III) Annual and semi-annual financial statements, financial statements of Q1 and Q3, and the status of monthly operations are announced and declared within the prescribed period. | |
| VIII. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that | ✓ | | (I) The Company performs its operations based on the principle of good faith and social responsibility, expecting to create the best interests for shareholders and employees.<br>(II) The Company fully discloses information on the MOPS, so that investors can understand the operations of the Company.<br>(III) The directors of the Company are all equipped with relevant professional | It complies with the Corporate Governance Best Practice Principles. |

| Assessment items | Implementation status | | | Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| are helpful in understanding the corporate governance operation of the Company? | | | knowledge, and receive further study as stipulated. The Company would from time to time inform the directors in writing to participate in further study on professional knowledge held by relevant units.<br>(IV) The directors show a good attendance at the board meeting, and the board meeting minutes are submitted to the directors after the meeting.<br>(V) The directors of the Company are all highly self-disciplined, and avoid the proposals in which they are a stakeholder, expecting to move toward corporate governance. | |
| IX. Please describe the improvement made based on the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange in the latest year, and propose the matters to be improved with priority and the measures for such matters. (Companies not listed for evaluation do not need to fill in this): The Company reviews the results of the latest corporate governance evaluation, aiming to improve information transparency and strengthen the Board of Directors' operations, and improve the information disclosure on the annual report and website. In addition, the Company's directors are invited to complete the hours of continuing education in accordance with Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies. Indicators unscored in self-evaluation are improved according to the difficulty to meet the corporate governance requirements. | | | | |

(IV) The Company shall disclose the composition, responsibilities and operation of the Remuneration Committee if established:

1. Information on the members of the Remuneration Committee

December 31, 2023

| Identity | Qualification / Name | Professional qualification and experience | Compliance of independence (Note) | Number of other public companies where the members are also the members of the remuneration committee of these companies. |
|---|---|---|---|---|
| Independent Director | Li-Ying Luo | Education Recognitions:<br>Bachelor’s degree of National Kaohsiung First University of Science and Technology<br>Work experience:<br>Manage of Fittech Co., Ltd.<br>Assistant manager of Da Fon Environmental Technology Co., Ltd. | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10) | None |
| Independent Director | Zheng-Yong Huang | Education Recognitions:<br>Department of Architecture, National Taipei University of Technolog<br>Bachelor’s degree of Civil and Construction Engineering, National Taiwan University of Science and Technology<br>Work experience:<br>Chairman of Te Chang Construction Co., Ltd.<br>Chairman of Wang Xin Development and Construction Co., Ltd.<br>Chairman of DG Rubber Co., Ltd.<br>Chairman of Classic Railway International CO., Ltd. | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10) | None |
| Independent Director | Yu-Ren Su | Education Recognitions:<br>Associate degree of Grossmont College<br>Work experience:<br>Management Information System Engineer of Dayungs Development Co., Ltd | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10) | None |
| Independent Director | Xi-Peng Hong | Education Recognitions:<br>Master of Bio-Industrial Mechatronics Engineering, National Chung Hsing University<br>Work experience:<br>Lecturer of Department of Mechanical Engineering, Hsiuping University of Science and Technology | (1)(2)(3)(4)(5)(6)(7)(8)(9)(10) | None |

Note: The members who meet the following conditions in the two years before the election and during the term of his/her office, please fill in the code.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in case where the person is an independent director of the company, its parent company or any subsidiary, as appointed in

accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a manager of (1) or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).

(5) Not a director, supervisor or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or ranks as one of its top five shareholders or was appointed pursuant to Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, in case where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(6) Not a director, supervisor, or employee of another company where a majority of the Company's directorships or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(7) Not the same person as the Company's Chairman, President or person with equivalent position or the director (managing director), supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(9) Not a professional individual who or an owner, partner, director (managing director), supervisor or officer of a sole proprietorship, partnership, company or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the last two years with an accumulated service compensation of less than NT$500 thousand or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers and Acquisitions Act.

(10) Not meet any descriptions stated in Article 30 of the Company Act.

2. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee has four Committee members in total.

(2) The term of office of the current committee members: from June 7, 2023 to June 6, 2026. The Remuneration Committee conducted 2 meetings (A) in the latest year and the qualifications and attendance are as follows:

| Title | Name | Actual attendance (B) | Proxy Attendance | Actual attendance rate (%) (B/A) (Note 1) | Remark |
|---|---|---|---|---|---|
| Convener | Lian-Fa Yang | 1 | — | 100% | Discharged on June 7, 2023 |
| Committee | Yi-Min Lin | 1 | — | 100% | Discharged on June 7, 2023 |
| Committee | Li-Ying Luo | 1 | — | 100% | Newly elected on June 7, 2023 |
| Committee | Zheng-Yong Huang | 1 | — | 100% | Newly elected on June 7, 2023 |
| Committee | Yu-Ren Su | 1 | — | 100% | Newly elected on June 7, 2023 |
| Committee | Xi-Peng Hong | 2 | — | 100% | Re-elected on June 7, 2023 |
| Other remarks:<br>I. Where the board of directors does not adopt or amend the proposal(s) posed by the Remuneration Committee: The Company shall expressly elaborate on the date, term while the board of directors meeting was convened, contents of the issues, outcome of decisions resolved in the board of directors and the Company's response to the opinions posed by the Remuneration Committee(For instance, if the salary pay resolved by the board of directors is higher than that proposed by the Remuneration Committee, the Company should elaborate on the fact of differential gap and the cause thereof): None.<br>II. Where a decision resolved in the Remuneration Committee is found in contravention of rules or in qualified opinion as verified with records or documented declaration, the Company shall expressly elaborate on the date, terms of the meeting convened by the Remuneration Committee, contents of agenda, opinions of all members and acts taken in response to such opinions: None. | | | | | |

Note 1: The attendance (%) of members of the Remuneration Committee is calculated based on the number of the Remuneration Committee's meetings held, and the number of his/her actual attendance at the meetings, during the period when he/she was assuming the office.

(V) Implementation of promotion of sustainable development:

| Promotion items | Implementation status | | | Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| I. Does the Company have a specific (or part-time) unit set up to promote the sustainable development governance framework, and the Board of Directors authorizing the management to handle matters and report the supervision results to the Board of Directors? | ✓ | | The Company has established a Sustainable Development Promotion Committee, which consists of the top supervisors of each relevant unit and has the following functions:<br>(1) Formulate an effective corporate governance framework and relevant ethical standards to improve corporate governance.<br>(2) Integrate and promote the action plan related to climate changes in environmental management to achieve sustainable environmental goals.<br>(3) Provide customers with the most competitive innovative products and services, and maintain customer relations.<br>(4) Responsible for labors' human rights/safety and health, character education, building of the company image, social benefits and other related affairs.<br>Report to the Board of Directors at least once a year, with the first report expected to be made in 2023. | It complies with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
| II. Does the company assess the risk of environmental, social, and governance (ESG) issues in relation to corporate operations based on the materiality principles and establish policies or strategies in relation to risk management? | ✓ | | The Company assesses the risk of environmental, social, and governance (ESG) issues in relation to corporate operations based on the materiality principles and establish policies or strategies in relation to risk management. (ISO9001 and 14001) | It complies with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
| III. Environmental issues<br>(I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?<br>(II) Is the company committed to enhancing the power efficiency and using renewable materials that are with low impact on the environmental impacts?<br>(III) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take actions to related? | ✓<br>✓<br>✓ | | The Company has been concerned about environmental, resource utilization and other issues, and has established and implemented relevant environmental policies and waste reduction measures in ISO14001. | It complies with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |

| Promotion items | Implementation status | | | Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (IV) Has the Company calculated the GHG emission, water consumption, and total weight of wastes in the past two years and formulated GHG reduction, water consumption reduction or other waste management policies? | ✓ | | | |
| IV.Social issues<br>(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?<br>(II) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in the remuneration for employees?<br>(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly? | ✓<br>✓<br>✓ | | In accordance with Labor Standards Act and relevant laws and regulations, the Company has set an employee mailbox, in addition to holding monthly employee representative meeting, and the legitimate rights and interests of employees can be reasonably protected, and their opinions can be directly reflected to the management.<br>Occupational Safety and Health Management Plan<br>To prevent occupational accidents and ensure the safety of labors, and implement the Company's safety and health management, the Company implements annual occupational safety and health plan management in business units, and facilities and personnel regulated by the Labor Occupational Safety and Health Act, and performs inspections and audits to prevent and eliminate accidents to ensure employees' safety and health.<br>Labor Safety Supervision and Audit Work Plan<br>The Company has a labor safety supervision and audit work plan, which is implemented by the supervisor of the safety and health business. The Department of Safety and Health summarizes review data and reports, confirms the effectiveness of the improvement issues, and finally submits them to the Labor Safety and Health Committee to review the deficiencies.<br>Labor Safety Review Work<br>Labor Safety Inspection Team, Department of — Inspected twice a day | It complies with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Labor Safety and Health</td><td></td></tr>
<tr><td>Joint Inspection Team, Department of Labor Safety and Management</td><td>Twice a week</td></tr>
<tr><td>Labor Safety Inspection of Workplace</td><td>Subject to employee and contractor regulations</td></tr>
<tr><td>Labor Safety Review Team, Department of Labor Safety and Health</td><td>Reviewed irregularly more than four times a month</td></tr>
</table>
In 2023, there were no incidents of disabling injuries (FR, SR) in employees and contractors, with an annual frequency-severity indicator (FSI) of 0.<br>
Respiratory Protection Plan<br>
The Company has a respiratory protection plan, based on which labors must use protective equipment when working in a harmful environment, and appropriate protective measures shall be taken according to the characteristics of harmful substances in the air of their working environment, so as to ensure the physical health of labors and realize health management. The specific implementation content is as follows:<br>
1. Investigate whether workers can use protective equipment according to their health status.<br>
2. Environmental harm identification and exposure evaluation, which shall identify the respiratory harm to which workers may be exposed.<br>
3. Choose appropriate respiratory protective equipment.<br>
4. Use of respiratory protective equipment.<br>
5. Maintenance and management of respiratory protective equipment.<br>
6. Education and training of respiratory protective equipment.<br>
7. Performance evaluation and improvement.<br>
This plan is reviewed, revised and implemented by the Labor Safety and Health Committee year by year.<br>
Safety and health implementation performance in 2023
</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th colspan="2">Items</th><th>Implementation Data Statistics</th></tr>
<tr><td colspan="2">Labor Safety and Health Education</td><td>3 sections: 304 people (304 hours) a_General knowledge of chemical hazards, 137 persons (137 hours) b_Abuse in the workplace, 42 persons (42 hours) c_Stacking machine, 125 persons (125 hours)</td></tr>
<tr><td rowspan="5">Five plans for occupational care</td><td>Maternal health protection plan</td><td>Maternal protection employee, 1 person (1 hour)</td></tr>
<tr><td>Human factor hazard prevention plan</td><td>One section of human factor health education, 7 persons (7 hours)</td></tr>
<tr><td>Abnormal workload-induced disease prevention plan</td><td>Overload care & tracking, 54 persons (54 hours)</td></tr>
<tr><td>Prevention plan for unlawful attack in duty performance</td><td>There was 0 unlawful attack incident in this year</td></tr>
<tr><td>Middle-aged and elderly plan</td><td>7 persons (7 hours)</td></tr>
<tr><td colspan="2">Occupational Medical Health service</td><td>New employees, 2 persons (2 hours) Metabolic syndrome, 79 persons (79 hours) Hypertension, hyperlipidemia and hyperglycemia, 82 persons (82 hours) Abnormal physical examination, 60 persons (60 hours)</td></tr>
<tr><td colspan="2">Zero Incident Campaign</td><td>A total of 268,920 incident-free working hours are</td></tr>
</table>
</td><td></td></tr>
</table>

| Promotion items | Implementation status: Yes | Implementation status: No | Implementation status: Summary description | | Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|---|
| | | | | reported monthly in this factory, with 12 times a year | |
| | | | Disabling frequency rate (FR) = (number of persons in disabling injuries × 1,000,000) ÷ total working hours | 0 | |
| | | | Disabling severity rate (SR) = (total number of lost working days × 1,000,000)÷ total working hours | 0 | |
| | | | Occupational Safety related Education and Training | New employee education: 4 persons (12 hours) Service employees: 75 persons (231 hours) Crown block: 59 persons (177 hours) Stacking machine: 11 persons (33 hours) Emergency education: 3 persons (9 hours) Level A of occupational safety and health affair: 1 person (6 hours) Organic solvent supervisor: 1 person (6 hours) | |
| | | | Occupational Safety Supervision and Audit | Administrator audit: twice a day, for a total of 447 times (447 hours) Business supervisor audit: twice a week, for a total of 104 times (208 hours) | |
| | | | Contractor hazard notification/ protocol organization meeting | 213 times/year | |
| | | | Employees Health Care | 2 persons a week, 92 times a year (184 hours) | |
| | | | External official tutoring | North Occupational Safety and Health Administration _Middle-aged and | |

<table>
<tr><th rowspan="2">Promotion items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td>Elderly, visit once (4 hours)</td></tr>
<tr><td>Respiratory Protection Plan</td><td>Airtight testing of protective equipment, twice a year, for a total of 6 persons (3 hours)</td></tr>
<tr><td>Special operation administration</td><td>Employees for special health examination (dust), 3 persons</td></tr>
<tr><td>Labors’ working environment monitoring</td><td>Cycle: once every six months, twice a year. At each time, organic solvent × 4, carbon dioxide × 1, dust × 1, noise × 1, 2 points are monitored for labor noise, and 1 point is monitored for ambient noise</td></tr>
<tr><td>Hazardous and harmful substance management</td><td>One list of chemicals, 10 types of SDS</td></tr>
<tr><td>Labor Safety and Health Committee</td><td>Once a quarter, four times a year</td></tr>
<tr><td>Emergency measures</td><td>1 section for chemical leakage, 7 persons, 7 hours; 1 section for water pollution, 6 persons, 6 hours</td></tr>
<tr><td>Major project contractor safety commitment</td><td>7</td></tr>
<tr><td>Safety and Health Management Plan</td><td>1</td></tr>
</table>
The Company holds a monthly cadre meeting by plant, and reports the Company’s operating conditions, industrial environment and other aspects to colleagues and analyzes possible impact at the meeting.</td><td></td></tr>
<tr><td>(IV) Does the Company have an effective career capacity development training program established for the employees?</td><td>✓</td><td></td><td>The Company has a machine tool school to enhance employees’ career skills through planned training.</td><td></td></tr>
<tr><td>(V) Does the company comply with the related laws and regulations and international standards regarding the customer health and safety, customer privacy, marking communication, and labeling of its products and services and establish policies to protect the rights and</td><td>✓</td><td></td><td>The Company provides warranty for its products, and the customer service department is responsible for providing customer services and product warranty. There are standard operating procedures for customer services, and</td><td></td></tr>
</table>

| Promotion items | Implementation status | | | Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| interests of customers and procedures for grievances?<br><br>(VI) Has the company established policies for management to request suppliers to comply with the relevant laws and regulations of environmental protection, occupational safety and health, and labor human rights? Does the company keep track on the implementation of such policies? | <br><br>✓ | | the formulation and implementation of the system are certified by ISO9001.<br>The Company has a close cooperation relationship with suppliers, and sets up an industrial association to enhance its implementation of social responsibility.<br>The Company's suppliers have been appropriately evaluated. The Company has signed contracts with major suppliers. In case of violation of corporate social responsibility policies in suppliers, the Company may consider suspending or terminating business dealings with them. | |
| V. Has the Company referred to the internationally accepted reporting preparation rules or guidelines to prepare reports, such as ESG reports that disclose the Company's non-financial information? Did the Company apply for assurance or guarantee of such reports to a third-party certification body? | | ✓ | At present, the Company actively develops related compilation rules or guidelines. | It does not comply with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and is under active planning. |
| VI. If the Company has established the sustainable development principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation: The Company's Sustainable Development Best Practice Principles have been continuously promoted, and the management methods have yet to be formulated. | | | | |
| VII. Other important information for the implementation of sustainable development:<br>(I) Environmental protection: Practice energy saving, resource recycling and other actions to reduce environmental impact, and advocate employees to participate in beach cleaning activities organized by the Ministry of Environment from time to time.<br>(II) Social contribution: Participate in the mask national team and contribute to epidemic prevention. Sponsor regional public welfare groups and environmental protection activities from time to time.<br>(III) Social welfare: Hire physically and mentally disabled employees.<br>(IV) Consumers' rights and interests: Appoint a special person to communicate with customers in real time, and hold regular customer complaint meetings for review. | | | | |

(VI) The Company's performance of ethical corporate management and measures taken:

| Assessment items | Implementation status | | | Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| I. Establishment of policies for ethical corporate management and plans | | | | |
| (I) Has the Company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies? | ✓ | | The Company has established the Ethical Corporate Management Best Practice Principles, stating such policies and practices and the commitment made by the Board of Directors and management to actively implement such policies. | It complies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies |
| (II) Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies"? | ✓ | | Before establishing a business relationship with another person, the Company shall first evaluate the legality of the trade counterparty, the policy for ethical corporate management, and whether it has a record of dishonest conduct, to ensure that the business practice is fair and transparent and no bribes are requested, offered or accepted. | |
| (III) Has the Company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and periodically review them? | ✓ | | At present, the Company requires that its employees shall abide by the Ethical Corporate Management Best Practice Principles, and audited by the internal audit unit from time to time. No violation is found in employees, trade customers or suppliers. | |
| II. Proper enforcement of business integrity | | | | |
| (I) Does the Company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed? | ✓ | | In accordance with the Company's relevant management procedures, employees must perform the Company's business impartially and in accordance with relevant laws and regulations. Board members and the management shall also adhere to integrity as the Company's operating principle. | It complies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies |
| (II) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management and regularly report (at least once a year) to the Board of Directors its ethical management policies and unethical behavior preventive programs and supervise their implementation status? | ✓ | | The Company appoints the General Administration Department as an unit to promote the ethical corporate management, and reports the implementation status to the Board of Directors from time to time. | |
| (III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? | ✓ | | If directors, supervisors and managerial officers may have any conflict of interest with any decision or transaction, they shall not participate in decision-making or voting. | |

| Assessment items | Implementation status | | | Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (IV) Has the Company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior to audit and prevent the compliance with the preventive programs of unethical behavior or hire a CPA to perform the audit? | ✓ | | The regulations and system for implementing ethical corporate management are formulated in the Ethical Corporate Management Best Practice Principles and effective accounting system and internal control system are established. In addition, the internal audit unit reviews irregularly. | |
| (V) Has the Company organized corporate management internal and external education and training programs on a regular basis? | ✓ | | The Company advocates and makes employees clearly understand the ideal and regulations of ethical corporate management through cadre meetings and monthly meetings. | |
| III. The operations of the Company's Whistle-blowing System | | | | It complies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies |
| (I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? | ✓ | | The operation of the Company has been fair, impartial and public, and any problem, if any, can be reported to the supervisor by email, telephone or directly. | |
| (II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms? | ✓ | | The Company regards report-related documents and data as confidential documents, and all participants are responsible for the perfect secrecy of the process in which they participate. After investigation, the documents are sent to the Company's personnel evaluation meeting, and subsequent measures are taken according to the relevant regulations. | |
| (III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident? | ✓ | | The Company has a duty of confidentiality to the whistle-blowers, and ensures that they will not be improperly treated due to whistle-blowing. | |
| IV. Enhanced information disclosure<br>Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS? | | ✓ | The Company indeed discloses relevant information according to laws, and achieve transparency of the financial situation. | It roughly complies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies. |
| V. If the Company has established its own ethical corporate management best-practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies", please specify any deviation of their implementation from the corporate social responsibility best-practice principles: None. | | | | |
| VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity): None. | | | | |

(VII) If the Company has formulated the Corporate Governance Best Practice Principles and related rules, it shall disclose the method for checking them: if the Company has the Corporate Governance Principles, please check it on the Company's website http://www.awea.com.

(VIII) For the inquiry method of other important information that can promote the understanding of corporate governance operation, the Company reports it on the MOPS for investors to understand the Company's latest status.

(IX) Hands-on performance in the Internal Control System shall disclosed the following matters:

1. Declaration of Internal Control System

# AWEA Mechantronic Co., Ltd.
# Declaration of Internal Control System

Date: March 5, 2024

The following declaration is based on the 2023 self-audit over the Company's internal control system:

I. The Company knows that it is the responsibility of its Board of Directors and managerial officers to establish, implement and maintain an internal control system, and the Company has established such system. The purpose is to provide reasonable guarantee for the effectiveness and efficiency of operating (including profit, performance, and asset security protection, etc.), the reliability, timeliness, transparency and compliance of report with relevant norms, laws and regulations, and achievement of other goals.

II. There are inherent limitations on internal control system, and an effective internal control system may only provide reasonable guarantee for the achievement of the said three goals, no matter how perfect its design is; Besides, the effectiveness of an internal control system may change due to changes in the environment and circumstances. However, the Company has established a self-monitoring mechanism for its internal control system that it will take corrective actions immediately once any defect is identified.

III. The Company has judged the effectiveness of the design and implementation of the internal control system based on the items for judging the effectiveness of an internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The items for judgment on an internal control system specified in these Regulations are composed of five factors depending on management control process: 1. control environment, 2. risk evaluation, 3. control, 4. information and communication, and 5. monitoring. And each factor includes several items. Please refer to these Regulations for the said items.

IV. The Company has adopted the above-mentioned judgment items for internal control system to evaluate the effectiveness of the design and implementation of the internal control system.

V. On the grounds of the outcome of evaluation mentioned in the preceding Paragraph, the Company firmly holds that the Company's internal control system as of December 31, 2023 (including supervisory control and management over subsidiaries), notably the effect of the business operation, extent of accomplishment of the target where the report proves trustworthy, transparent in real time, the design and implementation of the Company's internal control system proves effective, capable of assuring accomplishment of the aforementioned targets.

VI. This declaration forms part of the main contents of the Company's annual report and prospectus, and shall be disclosed to the public. In case of any false, concealed or other illegal said contents to be disclosed, legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act shall be assumed.

VII. The present Declaration of Internal Control System was granted a pass in the board of directors meeting convened on March 5, 2024. That board of directors meeting was attended by 9 directors among whom 0 director objected. All present directors unanimously responded with consent to the contents of the Declaration. This is the another point duly clarified herewith.

**AWEA Mechantronic Co., Ltd.**

**Chairman: Signature**

**President: Signature**

2. Audit of the internal control system by CPA shall disclose the accountant's review report: None.

(X) Any legal penalty suffered by the Company and its internal persons, or any disciplinary penalty by the Company against its internal persons for violation of the internal control system, in the latest year and up to the publication date of the Annual Report, the main deficiencies, and improvement made: None.

(XI) Major resolution of the Shareholders' Meeting and Board Meetings in the latest year and up to the publication date of the annual report:

| Shareholders' Meeting/ Board of Directors | Date | Significant decisions resolved |
|---|---|---|
| Shareholders' Meetings | June 7, 2023 | 1. 2022 Business Report and Financial Statements.<br>2. Proposal for the 2022 earnings distribution. |
| Board of Directors | June 7, 2023 | 1. Proposal for the election of the chairman. |
| Board of Directors | June 15, 2023 | 1. Amend the Charter of the Company's Remuneration Committee.<br>2. Proposal for employment of members of Remuneration Committee.<br>3. Proposal for appointment of the corporate governance officer. |
| Board of Directors | August 4, 2023 | 1. Proposal for consolidated statement for the first half of 2023.<br>2. Proposal for loan of Shanghai Zhuwei Mechantronic to AWEA (Suzhou).<br>3. Proposal for loan to Yih Chuan Machinery.<br>4. Proposal for the credit line from bank. |
| Board of Directors | September 28, 2023 | 1. Proposal for appointment of the chairman as CEO.<br>2. Proposal for appointment of the president.<br>3. Non-competition exclusion on the president.<br>4. Proposal for appointment of the vice president.<br>5. Proposal for appointment of the special assistant of the chairman.<br>6. Proposal for non-competition exclusion on special assistant of the chairman. |
| Board of Directors | November 6, 2023 | 1. Proposal for approval on the consolidated statement for the third quarter of 2023.<br>2. Formulate the Company's Method for Management of Insider Trading Prevention.<br>3. Amend the Company's Method for Evaluation of the Board of Directors' Performance.<br>4. Amend the Company's Method for Management of Employee Stock Ownership Trust.<br>5. Proposal for loan of Shanghai Zhuwei Mechantronic to Yih Chuan (Jiaxing).<br>6. Proposal for the credit line from bank. |
| Board of Directors | December 27, 2023 | 1. Discussion of matters resolved by the Remuneration Committee.<br>2. Proposal for the 2024 internal audit plan.<br>3. Proposal for the 2024 budget. |

| Shareholders' Meeting/ Board of Directors | Date | Significant decisions resolved |
|---|---|---|
| | | 4. Proposal for loan of Shanghai Zhuwei Mechantronic to AWEA (Suzhou).<br>5. Proposal for the credit line from bank.<br>6. Proposal for appointment of the acting accounting supervisor. |
| Board of Directors | March 5, 2024 | 1. Proposal for the distribution of the 2023 employees' remuneration and directors' remuneration.<br>2. Proposal for the 2023 financial business report and self-summarized financial information.<br>3. Discussion of matters resolved by the Remuneration Committee.<br>4. Proposal for the 2023 earnings distribution<br>5. Proposal for election of one additional director.<br>6. Proposal for cancellation of the non-competition restriction on new directors.<br>7. Time and place for convening the 2024 annual shareholders' meeting and the contents of the meeting.<br>8. Matters related to the acceptance of the shareholders' written proposal at the Company's 2024 annual shareholders' meeting.<br>9. Proposal for the Company's 2023 Internal Control Statement.<br>10. Proposal for formulation of the Company's Operating Procedures for Whistle-blowing System.<br>11. Proposal for the credit line from bank.<br>12. Proposal for appointment of the corporate governance officer and deputy spokesperson.<br>13. Proposal for increasing the shareholding of Huahan Investment. |
| Board of Directors | May 7, 2024 | 1. Proposal for appointment of the spokesperson, accounting supervisor and financial supervisor.<br>2. Proposal for the approval on the consolidated financial statement for the first quarter of 2024<br>3. Proposal for formulation of the Company's Rules Governing Financial and Business Matters Between this Corporation and its Related Parties.<br>4. Proposal for loan to Yih Chuan Machinery.<br>5. Proposal for the credit line from bank. |

(XII) In the latest year and up to the publication date of the annual report, where the directors or supervisor passed significant decisions with different opinions as backed with records or declarations, the major contents: None.

(XIII) In the latest year and up to the publication date of the annual report, the information of discharge or resignation by the Company for the Company's Chairman, President, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance officer and research & development officer:

Summary of resignation and discharge status of relevant personnel of the Company

April 30, 2024

| Title | Name | Date of appointment | Date of discharge | Reason for resignation or discharge |
|---|---|---|---|---|
| President | Cheng-Jun Yang | November 30, 2020 | October 1, 2023 | Resigned |
| Accounting Supervisor | Hong-Bin Syu | August 16, 2004 | March 6, 2024 | Retirement |
| Financial supervisor | Hong-Bin Syu | August 16, 2004 | March 6, 2024 | Retirement |
| Corporate governance officer | Hong-Bin Syu | August 16, 2004 | March 6, 2024 | Retirement |

IV. Information in public fees of the Certified Public Accountant Association

Amount unit: NT$ thousand

| Name of CPA firm | Name of CPA | CPA auditing period | Audit remuneration | Non-audit remuneration | Total | Remark |
|---|---|---|---|---|---|---|
| EnWise CPAs & Co. | Guei-Duan Chen | January 1, 2023 - December 31, 2023 | 1,930 | 11 | 1,941 | Non-audit remuneration service content: change registration service fee |
| | Chang-Yun Yi | January 1, 2023 - December 31, 2023 | | | | |

V. Changes in CPA

None.

VI. Where the company's chairman, president, or any managerial officer in charge of finance or accounting matters has in the latest year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held

None.

VII. In the latest year and up to the publication date of the annual report, the fact regarding transfer or pledge stock equity by the Company's directors, supervisors and managerial officers and key shareholders holding over 10% in shareholding

(I) The fact regarding change or pledge of stock equity by the Company's directors, supervisors and managerial officers and key shareholders holding over 10% in shareholding:

Unit: shares

| Title | Name | 2022 | | 2023 | | From January 1, 2024 to April 20, 2024 | |
|---|---|---|---|---|---|---|---|
| | | Increase (decrease) in shares held | Increase (decrease) in shares collateralized | Increase (decrease) in shares held | Increase (decrease) in shares collateralized | Increase (decrease) in shares held | Increase (decrease) in shares collateralized |
| Chairman | De-Hua Yang (Note 2) | – | – | – | – | – | – |
| Director | Goodway Machine Corp. Representative: Cheng-Xuan Wang (Note 3) | – | – | 50,000 | – | – | – |
| Director | Goodway Machine Corp. Representative: Kun-Nan Zhuang (Note 2) | – | – | 50,000 | – | – | – |
| Independent Director | Lian-Fa Yang (Note 1) | – | – | – | – | Not applicable | Not applicable |
| Independent Director | Yi-Min Lin (Note 1) | – | – | – | – | Not applicable | Not applicable |
| Independent Director | Zheng-Yong Huang | – | – | – | – | – | – |
| Independent Director | Li-Ying Luo | – | – | – | – | – | – |
| Independent Director | Yu-Ren Su | – | – | – | – | – | – |
| Independent Director | Xi-Peng Hong (Note 3) | (1,000) | – | – | – | – | – |
| Director | Cheng-Jun Yang (Note 3) | – | – | – | – | – | – |
| Director | Qing-Feng Yang (Note 3) | – | – | – | – | – | – |
| Major shareholders | Goodway Machine Corp. | 145,000 | – | 50,000 | – | – | – |
| President | Cheng-Jun Yang (Note 4) | – | – | – | – | Not applicable | Not applicable |
| President | Shang-Ru Yang (Note 5) | – | – | – | – | – | – |
| Vice Presidents | Chang-Chi Yang | – | – | – | – | – | – |
| Vice Presidents | Rui-Ming Ye | – | – | – | – | – | – |
| Supervisor of Financial Department | Hong-Bin Syu (Note 6) | – | – | – | – | Not applicable | Not applicable |
| Accounting Supervisor | Hong-Bin Syu (Note 6) | – | – | – | – | Not applicable | Not applicable |

Note 1: Discharge on June 7, 2023.
Note 2: Took office on June 7, 2023.
Note 3: Re-elected on June 7, 2023.
Note 4: Discharged on October 1, 2023.

Note 5: Took office on October 1, 2023.
Note 6: Discharged on March 6, 2024.

(II) Information of directors, supervisors and managerial officers and key shareholders with the counterpart of stock equity transfer as the related party: None.

(III) Information of directors, supervisors and managerial officers and key shareholders with the counterpart of stock equity pledge as the related party: None.

VIII. Data of relationship among the company's 10 largest shareholders

April 20, 2024

| Name | Shares held in own name | | Shareholdings of spouse and minor children | | Shares held in the names of others | | Name and relationship between the Company's top ten shareholders, or spouses or relatives within the second degree of kinship | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Number of shares | Ratio of Shareholding | Name | Relationship | |
| Goodway Machine Corp. | 47,962,311 | 49.65% | — | — | — | — | De-Hua Yang | Chairman of the Company | |
| De-Hua Yang | 9,031,403 | 9.35% | — | — | — | — | Goodway Machine Corp. Hong Hua Investment Co., Ltd. JiaJin Investment Co., Ltd. Hung Jiu Machine Co., Ltd. | Chairman of the Company | |
| JiaJin Investment Co., Ltd. | 6,256,388 | 6.48% | — | — | — | — | De-Hua Yang | Chairman of the Company | |
| Fubon Life Insurance Co., Ltd. | 3,753,500 | 3.89% | — | — | — | — | None | None | |
| Hung Jiu Investment Co., Ltd. | 1,482,818 | 1.54% | — | — | — | — | None | None | |
| Zhi Yuan Investment Co., Ltd. | 1,481,316 | 1.53% | — | — | — | — | None | None | |
| Axtron Investment Ltd. | 1,090,000 | 1.13% | — | — | — | — | De-Hua Yang | The person in charge is the relative within the second degree of kinship | |
| Hong Hua Investment Co., Ltd. | 828,250 | 0.86% | — | — | — | — | De-Hua Yang | Chairman of the Company | |
| Yu En Investment Co., Ltd. | 786,728 | 0.81% | — | — | — | — | De-Hua Yang | The person in charge is the relative within the second degree of kinship | |
| Hung Jiu Machine Co., Ltd. | 751,312 | 0.78% | — | — | — | — | De-Hua Yang | Chairman of the Company | |

IX. Investments jointly held by the Company, the Company's directors, supervisors, managerial officers, and enterprises directly or indirectly controlled by the Company. Calculate shareholding in aggregate of the above parties

April 30, 2024; Unit: shares; %

| Investees | Invested by the Company | | Investment held by directors, supervisors, managerial officers, and directly or indirectly controlled enterprises | | Aggregate investment | |
|---|---|---|---|---|---|---|
| | Number of shares | Ownership (%) | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| B-WAY(CAYMAN)CO, LTD (Note 1) | 10,665,029 | 100% | — | — | 10,665,029 | 100% |
| BILLION-WAY(CAYMAN) CO, LTD (Note 1) | — | — | 12,829,840 | 100% | 12,829,840 | 100% |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. (Note 3) | — | — | — | 100% | — | 100% |
| Awea Mechantronic (Suzhou) Ltd. (Note 3) | — | — | — | 100% | — | 100% |
| AUTECH EUROPE | 50 | 5% | — | — | 50 | 5% |
| Yih Chuan Machinery Industry Co., Ltd. | 5,914,800 | 60% | 3,943,200 | 40% | 9,858,000 | 100% |
| YAMA SEIKI,USA,INC. | 584,192 | 28.58% | 1,460,000 | 71.42% | 2,044,192 | 100% |
| AXTRON INT'L INVESTMENT CO., LTD. (Note 1) | — | — | 50,000 | 100% | 50,000 | 100% |
| AXTRON INT'L INVESTMENT LIMITED (Note 2) | — | — | 10,000 | 100% | 10,000 | 100% |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. (Note 3) | — | — | — | 100% | — | 100% |
| Huahan Leasing Co., Ltd. | 666,667 | 13.33% | 2,666,666 | 53.34% | 3,333,333 | 66.67% |

Note 1: Overseas company, with the price per share of US$1.

Note 2: Overseas company, with the price per share of HK$1.

Note 3: The number of shares is not counted for mainland companies.

# Chapter IV. Funding Status

I. Share capital and shares

(I) Sources of share capital

Unit: shares/ NT$

| Month/ Year | Price of issue | Authorized capital | | Paid-up capital | | Remark | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Sources of share capital | Paid in properties other than cash | Others |
| July 2008 | 10 | 100,000,000 | 1,000,000,000 | 82,901,175 | 829,011,750 | NT$39,178,250 of capital increase transferred from surplus reserve<br>NT$6,268,500 of capital increase transferred from employees bonus | None | Note 1 |
| December 2008 | 10 | 100,000,000 | 1,000,000,000 | 82,370,866 | 823,708,660 | Consolidate Baiwei shares, and reduce a capital of NT$5,303,090 for treasury shares | None | Note 2 |
| July 2009 | 10 | 100,000,000 | 1,000,000,000 | 90,607,952 | 906,079,520 | NT$82,370,860 of capital increase transferred from surplus reserve | None | Note 3 |
| August 2011 | 10 | 100,000,000 | 1,000,000,000 | 94,952,449 | 949,524,490 | NT$43,444,970 of capital increase transferred from surplus reserve | None | Note 4 |
| November 2012 | 10 | 100,000,000 | 1,000,000,000 | 94,952,449 | 949,524,490 | Consolidate Jinwei shares | None | Note 5 |
| November 2013 | 10 | 100,000,000 | 1,000,000,000 | 91,994,449 | 919,944,490 | Cancel a capital of NT$29,580,000 for treasury shares | None | Note 6 |
| September 2016 | 10 | 100,000,000 | 1,000,000,000 | 96,594,171 | 965,941,710 | NT$45,997,220 of capital increase transferred from surplus reserve | None | Note 7 |

Note 1: The Financial Supervisory Commission, Executive Yuan approved a capital increase through Jin-Guan-Zheng-Yi-Zi Letter No. 0970033790 on July 7, 2008.

Note 2: The Ministry of Economic Affairs approved a capital decrease through Jing-Shou-Shang-Zi Letter No. 09701323420 on December 23, 2008.

Note 3: The Financial Supervisory Commission, Executive Yuan approved a capital increase through Jin-Guan-Zheng-Fa-Zi Letter No. 0980033595 on July 7, 2009.

Note 4: The Financial Supervisory Commission, Executive Yuan approved a capital increase through Jin-Guan-Zheng-Fa-Zi Letter No. 1000030026 on June 29, 2011.

Note 5: Registration was changed through Jing-Shou-Shang-Zi No. 10101223870.

Note 6: Registration was changed through Jing-Shou-Shang-Zi No. 10201241980.

Note 7: Registration was changed through Jing-Shou-Shang-Zi No. 10501224890.

| Share category | Authorized capital | | | | | Remark |
|---|---|---|---|---|---|---|
| | Outstanding shares | | | Unissued shares | Total | |
| | Listed | Unlisted | Total | | | |
| Registered ordinary shares | 96,594,171 | - | 96,594,171 | 3,405,829 | 100,000,000 | Belong to listed stocks |

(II) Shareholders structure:

April 20, 2024; Unit: shares

| Shareholders structure / Quantity | Government institutions | Financial institutions | Other juristic persons | Individuals | Foreign institutions and foreigners | Total |
|---|---|---|---|---|---|---|
| Number of people | 0 | 5 | 27 | 10,441 | 30 | 10,503 |
| Number of shares held | 0 | 4,000,277 | 61,833,496 | 29,917,750 | 842,648 | 96,594,171 |
| Ownership (%) | 0.00% | 4.14% | 64.02% | 30.97% | 0.87% | 100.00% |

(III) Dispersion of equity: ordinary shares (par value per share: NT$10)

April 20, 2024

| Class of Shareholding | Number of Shareholders | Number of shares held | Ownership (%) |
|---|---|---|---|
| 1 to 999 | 6,788 | 1,047,095 | 1.08% |
| 1,000 to 5,000 | 2,922 | 5,500,502 | 5.70% |
| 5,001 to 10,000 | 386 | 2,859,981 | 2.96% |
| 10,001 to 15,000 | 155 | 1,886,131 | 1.95% |
| 15,001 to 20,000 | 63 | 1,126,145 | 1.17% |
| 20,001 to 30,000 | 76 | 1,896,937 | 1.96% |
| 30,001 to 40,000 | 38 | 1,328,113 | 1.38% |
| 40,001 to 50,000 | 8 | 361,647 | 0.37% |
| 50,001 to 100,000 | 30 | 2,039,756 | 2.11% |
| 100,001 to 200,000 | 18 | 2,391,280 | 2.48% |
| 200,001 to 400,000 | 8 | 2,180,558 | 2.26% |
| 400,001 to 600,000 | 1 | 552,000 | 0.57% |
| 600,001 to 800,000 | 2 | 1,538,040 | 1.59% |
| 800,001 to 1,000,000 | 1 | 828,250 | 0.86% |
| More than 1,000,001 | 7 | 71,057,736 | 73.56% |
| Total | 10,503 | 96,594,171 | 100.00% |

Special shares: The Company has not issued any special shares, so it is not applicable.

(IV) List of major shareholders: Names of shareholders holding over 5% in shareholding or top ten shareholders in shareholding, number of shares and proportion.

| Shares / Name of major shareholders | Number of shares held | Ownership (%) |
|---|---|---|
| 1. Goodway Machine Corp. | 47,962,311 | 49.65% |
| 2. De-Hua Yang | 9,031,403 | 9.35% |
| 3. JiaJin Investment Co., Ltd. | 6,256,388 | 6.48% |
| 4. Fubon Life Insurance Co., Ltd. | 3,753,500 | 3.89% |
| 5. Hung Jiu Investment Co., Ltd. | 1,482,818 | 1.54% |
| 6. Zhi Yuan Investment Co., Ltd. | 1,481,316 | 1.53% |
| 7. Axtron Investment Ltd. | 1,090,000 | 1.13% |
| 8. Hong Hua Investment Co., Ltd. | 828,250 | 0.86% |
| 9. Yu En Investment Co., Ltd. | 786,728 | 0.81% |
| 10.Hung Jiu Machine Co., Ltd. | 751,312 | 0.78% |

(V) Market price per share, net worth, dividend and relevant data in the last two years

| Year / Items | | | 2022 | 2023 | From January 1, 2024 to March 31, 2024 |
|---|---|---|---|---|---|
| Market price per share | Highest | | 33.90 | 35.50 | 33.95 |
| | Lowest | | 29.00 | 29.50 | 31.10 |
| | Average | | 31.08 | 31.69 | 32.08 |
| Net worth per share (Note 1) | Before dividend distribution | | 34.87 | 35.07 | 35.40 |
| | After dividend distribution | | 33.27 | Not applicable | — |
| Earnings per share | Weighted average outstanding shares | | 96,594,171 | 96,594,171 | 96,594,171 |
| | Earnings per share (Note 2) | Before adjustment | 3.67 | 2.18 | 0.18 |
| | | After adjustment | 3.65 | 2.17 | — |
| Dividends per share | Cash dividends | | 1.60 | 1.50 | — |
| | Stock dividends | Dividends from Retained Earnings | — | — | — |
| | | Dividends from Capital Surplus | — | — | — |
| | Accumulated undistributed dividends | | — | — | — |
| Analysis of investment returns | Price to earning ratio (Note 3) | | 8.47 | 14.54 | — |
| | Price to dividends ratio (Note 4) | | 19.43 | 21.13 | — |
| | Cash dividend yield (Note 5) | | 5.15% | 4.73% | — |

Note 1: This is filled in based on the number of shares issued at the end of the year and allocated in accordance with the resolution of the shareholders' meeting of the next year.

Note 2: This is tracked and adjusted due to stock grants, capital increase transferred from employees' compensation, and conversion of convertible corporate bonds into ordinary shares.

Note 3: Price to earning ratio = Average closing price per share for the year / earnings per share.
Note 4: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.
Note 5: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

(VI) The Company's dividend policy and fact of implementation thereof (to be approved by the 2024 shareholders' meeting)

1. Dividend policy:

   The Company's annual net income after final settlement shall be used to pay taxes and cover the deficits of prior years according to law, 10% of the remaining income shall be set aside as legal reserve and special reserve in accordance with the law, and the remaining balance shall be added to the undistributed earnings of prior years and a part of which retained as the capital required for the business growth, and then the Board of Directors shall prepare the earnings distribution proposal and submit it to the Shareholders' Meeting for resolution.

   The Company is in an industry with changing environment, and in the growth stage of life cycle, and in order to consider long-term financial planning and meet the cash inflow needs of shareholders, the annual cash dividend shall not be less than 10% of the total cash and stock dividends.

2. Fact of implementation:

   Status of dividend distribution proposed at the shareholders' meeting

   (1) The distribution of earnings in 2023 resolved by the Company's Board of Directors is as follows:

      A. Set aside a legal reserve of NT$20,149,210.
      B. Distribute a stockholder dividend of NT$144,891,257, with the cash allotment of NT$1.5 per share.
      C. Reserve the unappropriated earnings of NT$1,441,706,626.
      D. Thereafter, if the distribution rate per share of outstanding shares changes due to conversion of convertible corporate bonds, repurchase of the Company's shares, or conversion, transfer and cancellation of treasury shares, the chairman is authorized to make adjustments.

   The above distribution proposal complies with the dividend policy in the Articles of Incorporation specifying that the annual cash dividend shall not be less than 10% of the total cash and stock dividends.

AWEA Mechantronic Co., Ltd.

Statement of Earnings Distribution 2023

Unit: NT$

| Items | Amount | | Remark |
|---|---|---|---|
| | Subtotal | Total | |
| Opening balance | | $1,405,254,991 | |
| Adjustments: | | | |
| Add: Net profit tax for 2023 | 210,810,719 | | |
| Less: Unrealised gains (losses) on valuation of financial assets measured through other comprehensive income | (9,038,008) | | |
| Less: Other comprehensive income after tax for 2023 - gains/losses from actuary of defined benefit | (280,609) | | |
| Less: Legal reserve | (20,149,210) | | Note 1 |
| Earnings allocable | | 1,586,597,883 | |
| Items of distribution: | | | |
| Shareholders' dividend - Cash (NT$1.5/share) | (144,891,257) | | |
| Unappropriated retained earnings at the end of the term | | $1,441,706,626 | |

Chairman: Managerial officer: Accounting Supervisor:

Note 1: As stipulated by the Articles of Incorporation, 10% of the net profit after tax shall be set aside as legal reserve.
$ 201,492,102 * 10% = $ 20,149,210

Note 2:

(1) Dividends of shareholders: cash dividend per share was NT$1.5; After being approved at the annual shareholders' meeting, the Chairman is authorized to set another base date of ex-dividend payment for distribution.

(2) The cash dividend shall be calculated according to the distribution ratio until the total amount of the cash dividend is integral NT$, the decimals shall be omitted, and the total amount of odd dividends less than NT$1 shall be adjusted from the decimal point from big to small and the account number from front to back, until meeting the total distribution amount of cash dividend.

(3) In the event of a subsequent change in the share capital of the Company, affecting the number of outstanding shares and resulting in a change in the dividend rate to shareholders, it is proposed that the annual shareholders' meeting should authorize the Chairman to deal with the matter at his sole discretion.

(VII) The impact of issuance of bonus shares proposed in the present shareholders' meeting upon the Company's business performance and earning per share:

Unit: NT$ thousand

<table>
<tr><th colspan="3">Year<br>Items</th><th>2024 (estimated)</th></tr>
<tr><td colspan="3">Paid-in capital at the beginning of the period</td><td>965,942</td></tr>
<tr><td rowspan="2">Allotment of shares and interests of the current year</td><td colspan="2">Cash dividend per share (NT$) - Note 1</td><td>1.5</td></tr>
<tr><td colspan="2">Number of allotment per share in the capital increase transferred from capital reserve</td><td>–</td></tr>
<tr><td rowspan="7">Change in operating performance</td><td colspan="2">Operating profit</td><td rowspan="7">Not applicable (Note 2)</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in operating profit over the same period last year</td></tr>
<tr><td colspan="2">After-tax net profit</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in after-tax net profit over the same period last year</td></tr>
<tr><td colspan="2">Earnings per share (NT$)</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in earnings per share over the same period last year</td></tr>
<tr><td colspan="2">Annual average rate of return on investment (reciprocal of annual average price to earnings ratio)</td></tr>
<tr><td rowspan="6">Proposed earnings per share and price to earnings ratio</td><td rowspan="2">If the capital increase transferred from surplus reserve is changed to the distribution of cash dividends</td><td>Proposed earnings per share</td><td rowspan="6">Not applicable (Note 2)</td></tr>
<tr><td>Proposed annual average rate of return on investment</td></tr>
<tr><td rowspan="2">If the capital increase transferred from capital reserve is not handled</td><td>Proposed earnings per share</td></tr>
<tr><td>Proposed annual average rate of return on investment</td></tr>
<tr><td rowspan="2">If the capital reserve is not handled, and the capital increase transferred from surplus reserve is hanged to be distributed in cash dividends.</td><td>Proposed earnings per share</td></tr>
<tr><td>Proposed annual average rate of return on investment</td></tr>
</table>

Note 1: Subject to the resolution by the annual shareholders' meeting in 2024.

Note 2: In accordance with stipulations in Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company did not need to disclose its financial forecast information for 2024.

(VIII) Remuneration to the employees, directors and supervisors

1. If the Company has profit in the year (the so-called profit refers to the profit before tax, and before deduction of employees' compensation and directors' and supervisors' remuneration), it shall set aside 3%-8% of the profit as employees' compensation, and set aside no more than 2% as directors' and supervisors' compensation. The Company may distribute the above stock bonus to employees of its subsidiaries who meet certain criteria, and the terms and methods of distribution shall be determined by the Board of Directors. However, if the Company has accumulated deficit, an amount to cover such deficit shall be reserved in advance.

   As stipulated by the Company Act and the Articles of Incorporation, the employees' compensation and directors' and supervisors' remuneration that the Company shall allocate shall first be estimated in the preparation of the interim and annual financial statements in accordance with the (2007) Ji-Mi-Zi No. 052 explanation letter of Accounting Research and Development Foundation, and shall be listed as the appropriate accounting subject under the operating cost or operating expense according to the nature of employees' bonuses and directors' and supervisors' remuneration. If there is any difference between the distributed amount as resolved by the Board of Directors and the estimated amount in the financial statement, it shall be regarded as a change in estimates and listed as the profit or loss of the current distribution year.

2. Remuneration to be distributed as resolved in the board of directors:
   (1) Employees' remuneration to be distributed in 2023 is NT$16,000 thousand, and directors' remuneration is NT$2,750 thousand, which will be paid in cash.
   (2) The number of shares to be distributed as employees' compensation and its proportion in the capital increase transferred from earnings: employees' compensation will be paid in cash in 2023.
   (3) Calculation of earnings per share after the proposed distribution of employees' compensation and directors' remuneration: Not applicable.

3. Distribution of earnings of the previous year as employees' compensation and directors' and supervisors' remuneration: in 2022, the earnings were distributed according to the resolution approved by the Board of Directors, of which the employees' cash compensation was NT$16,000 thousand, and the directors' and supervisors' remuneration was NT$1,800 thousand, which were paid in cash and showed no difference in distribution.

(IX) Repurchase of the Company's stock:

None.

II. Insurance of corporate bonds (including overseas corporate bonds)

None.

III. Status of preferred shares

None.

IV. Issuance of overseas depository receipts

None.

V. Employee stock options

None.

VI. Status of new shares issuance in connection with mergers and acquisitions

None.

VII. Progress on the use of funds

(I) Planned content: None.

(II) Implementation status: None.

(III) Use of unexpended capital: None.

# Chapter V. Business Performance

I. Content of business

(I) Scope of business operation

1. Major contents of businesses

The Company’s main business activities include the development and design, production, manufacturing and sales of Computer Numerical Control (CNC) machine tools, and the business activities listed in the Company’s change registration form are as follows:

- CB01010 Mechanical Equipment Manufacturing.
- CC01110 Computer and Peripheral Equipment Manufacturing.
- I501010 Product Designing.
- F113010 Wholesale of Machinery.
- F213080 Retail Sale of Other Machinery and Equipment.
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Ratio of operating revenue in the major contents of businesses

The ratio of the Company’s operating revenue from its major products is as follows:

Unit: NT$ thousand

| Major products | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Gantry vertical integrated machining center | 1,152,294 | 48.79 | 1,497,127 | 48.29 |
| C-type vertical integrated machining center | 1,088,905 | 46.10 | 1,460,438 | 47.10 |
| Other (Note) | 120,718 | 5.11 | 142,952 | 4.61 |
| Total | 2,361,917 | 100.00 | 3,100,517 | 100.00 |

Note: Others include machine maintenance, and purchase and sales of components and purchased products.

Focusing on the development and design, production, manufacturing and sales of Computer Numerical Control (CNC) machine tools, the ratio of operating revenue is above 95%.

3. The current products of the Company

The Company’s main product is Computer Numerical Control (CNC) machine tools, which belong to the metal cutting machine building industry in the industrial machinery and are indispensable mechanical equipment for basic machining and precision machining. The products are applied in the aerospace industry, national defense industry, automobile industry, general machinery, metal processing industry, electronic industry and other industries. The Company’s machine tools can be divided into the gantry vertical integrated machining centers and the C-type vertical integrated machining centers, or, by machines, into:

- Vertical Machining Center
- Gantry Vertical Machining Centers.

- Bridge Type 5-Face Machining Center
- High Speed Machining Center
- Horizontal Machining Centers
- Horizontal High-speed Machining Centers.
- Horizontal Boring Mills
- 5-Axis Machining Center
- Automation

4. New products under development

   Computer Numerical Control (CNC) machine tools are one of the new industries actively promoted by the government in recent years, of which precision CNC lathes and machining centers with higher added value are key development projects; in the early days of the Company, medium and large precision machining centers were developed as the core to meet the needs of large machine part and mold processors. In recent years, small and medium CNC vertical machining center series products have also been developed to meet the market needs of small and medium object machining and molds. In the future, the Company not only continues to improve the competitiveness of the original medium and large gantry machining center series products and small and medium CNC vertical machining center series products, but also strives to develop different models of CNC horizontal boring mills and CNC five-axis machining centers, and plans to develop the following new products:

   - Gantry type high speed 5 axes machining center.
   - Horizontal full moving column high-speed five-axis machining center.
   - Milling machine machine 5 axes machining center.
   - Development of horizontal and diagonal full-automatic universal joint.
   - VP6 high-speed gantry machining center for aerospace structures.
   - Development of EH5 high-speed horizontal five-axis machining center.
   - A+/AF series modular design and development.
   - Design and development of AE new integrated machining center series.
   - Development of AHM800 horizontal machining center.
   - Development of Z800 gear spindle head.
   - Development of AC full-automatic universal joint.
   - Development of SP4 high-speed gantry aluminium machining center.
   - Development of BS-Φ130 boring axis.
   - Development of 16K internal spindle.
   - Development of the moving column moving beam machining center.
   - Design and development of AU-680 high-rigidity moving column five-axis machine.
   - Development of VP-xx16 gantry integrated machine (lockable).
   - Design and development of X-A2 biaxial head.
   - Development of machine tool intelligent energy-saving chip removal system.

- Development of intelligent information APP extranet function.
- Development of intelligent information diagnosis function.
- Development of AF-1600II vertical integrated machine.
- Development of AF-1000II vertical integrated machine.
- Design and development of FCV-620II economic moving column five-axis machine.
- Design and development of five-axis standard table and miller table.
- Design and development of C-type #40 and small #50 gear spindle speed improvement.
- Development of the tray storage system of the five-axis machine.

(II) Industrial profiles:

1. The status quo and development of the machine tool industry:

(1) Industry status

According to customs export statistics, the total export value of Taiwan machine tools from January to December 2023 reached US$2,599,440 thousand, a decrease of 14% over the same period last year, of which the export value of cutting machine tools was US$2,204,120 thousand, a decrease of 13.3% over the same period last year. The export value of forming machine tools was US$395,320 thousand, a decrease of 17.7% over the same period last year.

Ranked by export countries, China (including Hong Kong) ranked first from January to December 2023, with an export value of US$711,930 thousand, accounting for 27.4% of the total export value, a decrease of 11.9% over the same period last year. The US ranked second, with an export value of US$377,820 thousand, accounting for 14.5% of the total export value, a decrease of 15.1% over the same period last year. Turkey ranked third, with an export value of US$289,790 thousand, accounting for 11.1%, an increase of 13.9% over the same period last year. India ranked fourth, with an export value of US$120,690 thousand, accounting for 4.6%, an increase of 29.1% over the same period last year. Netherlands ranked fifth, with an export value of US$84,340 thousand, accounting for 3.2% of the total export value, a decrease of 22.4% over the same period last year.

Other countries are as follows: Germany accounted for 3.0%, a decrease of 1.2%. Italy accounted for 2.8%, a decrease of 29.8%. Vietnam accounted for 2.7%, a decrease of 39.0%. Thailand accounted for 2.6%, a decrease of 23.2%. Japan accounted for 2.6%, a decrease of 15.4%. The ranking of export countries from January to December 2023 is as follows:

Statistical analysis table of main export countries of Taiwan machine tools in 2023

Unit: US$ thousand; %

| Rank | Export country | 2022 years | | 2023 years | | Rate of change % |
|---|---|---|---|---|---|---|
| | | Export value | % | Export value | % | |
| 1 | China (including Hong Kong) | 808,392 | 26.7 | 711,934 | 27.4 | -11.9 |
| 2 | USA | 445,172 | 14.7 | 377,817 | 14.5 | -15.1 |
| 3 | Turkey | 254,359 | 8.4 | 289,793 | 11.1 | 13.9 |
| 4 | India | 93,494 | 3.1 | 120,688 | 4.6 | 29.1 |
| 5 | Netherlands | 108,716 | 3.6 | 84,343 | 3.2 | -22.4 |
| 6 | Germany | 79,144 | 2.6 | 78,218 | 3.0 | -1.2 |
| 7 | Italy | 104,609 | 3.5 | 73,450 | 2.8 | -29.8 |
| 8 | Vietnam | 116,909 | 3.9 | 71,366 | 2.7 | -39.0 |
| 9 | Thailand | 87,869 | 2.9 | 67,474 | 2.6 | -23.2 |
| 10 | Japan | 78,649 | 2.6 | 66,555 | 2.6 | -15.4 |
| Others | | 845,947 | 28.0 | 657,801 | 25.5 | -22.2 |
| Total | | 3,023,260 | 100.0 | 2,599,439 | 100.0 | -14.0 |

Data sources: Monthly customs import and export statistics report, Taiwan Machine Tool Foundation

Analyzed by the type of cutting machine tools, electric discharge machining, laser beam machining and other non-traditional machine tools decreased by 8.3%, integrated machines decreased by 16.5%, lathes decreased by 4.9%, drilling and boring machines, milling machines, and tapping machines decreased by 22.0%, and grinding machines decreased by 21.8%. Planning, sawing, drawing and gear machines decreased by 8.1%. In forming machine tools, forging and stamping machines decreased by 16.5% and other forming machine tools decreased by 21.9% compared to the last year. The statistical analysis of export from January to December 2023 is shown as follows:

Statistical analysis table of export of Taiwan machine tools in 2023

Unit: US$ thousand; %

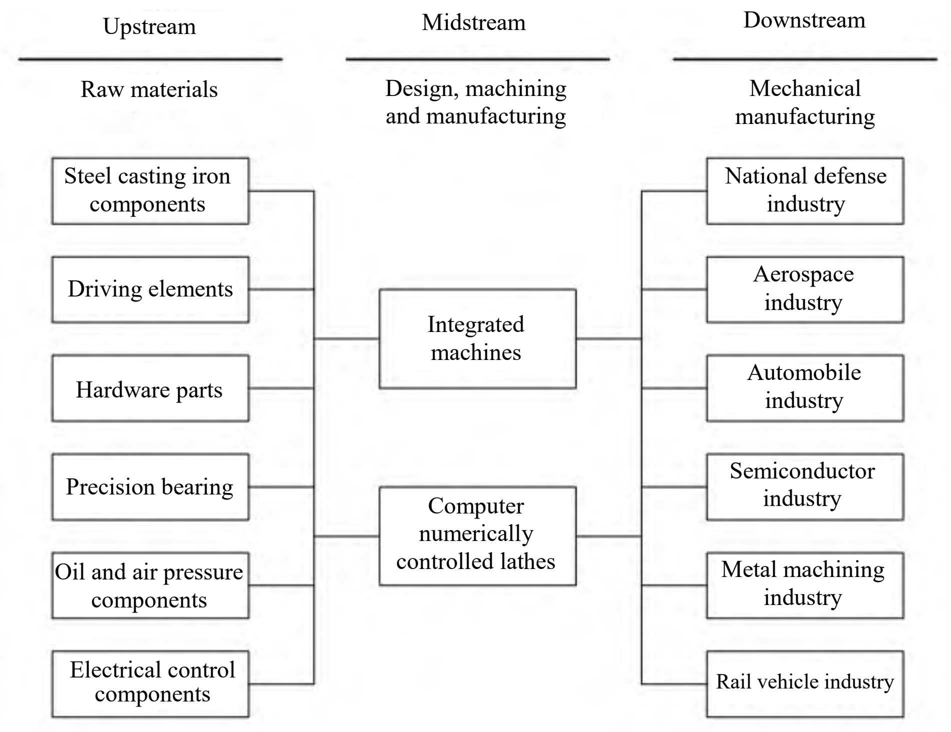
| Product | 2022 years | | 2023 years | | Rate of change % |
|---|---|---|---|---|---|
| | Export value | % | Export value | % | |
| Electric discharge machining, laser beam machining and other non-traditional machine tools | 182,508 | 6.0 | 167,396 | 6.4 | -8.3 |
| Integrated machines | 1,044,079 | 34.5 | 871,641 | 33.5 | -16.5 |
| Lathes | 685,345 | 22.7 | 651,519 | 25.1 | -4.9 |
| Drilling, boring, milling, and tapping machines | 205,623 | 6.8 | 160,444 | 6.2 | -22.0 |
| Grinding machines | 277,786 | 9.2 | 217,272 | 8.4 | -21.8 |
| Planning, sawing, drawing and gear machines | 147,743 | 4.9 | 135,844 | 5.2 | -8.1 |
| Subtotal of cutting machine tools | 2,543,084 | 84.1 | 2,204,116 | 84.8 | -13.3 |
| Forging and stamping machines | 376,638 | 12.5 | 314,411 | 12.1 | -16.5 |
| Other forming machine tools | 103,538 | 3.4 | 80,912 | 3.1 | -21.9 |
| Subtotal of forming machine tools | 480,176 | 15.9 | 395,323 | 15.2 | -17.7 |
| Subtotal of machine tools | 3,023,260 | 100.0 | 2,599,439 | 100.0 | -14.0 |

Data sources: Monthly customs import and export statistics report, Taiwan Machine Tool Foundation

2. Correlation between the midstream and downstream industries:

   The relationship between the upstream, midstream and downstream machine tool industries is extremely close. Raw materials required for production include numerical controllers, ball screws, casts, hardware parts and other components, which are generally manufactured by the subcontractor and part processer. Then these components are integrated by specialized division of labor and assembled into the machine tool. The machine tool is a machine for making machinery, and also an indispensable machine and equipment for basic machining and precision machining. The machine tool industry, which plays a key role in industrial development, has a close relationship with the national defense industry, automobile industry, and aerospace industry.

Since the machining process is complex, and a large number of components are required in the machine tool industry, there are several developments (for example, key components are purchased from foreign countries, general parts are processed by the subcontractor, the central plant is responsible for assembly, testing and other work) in Taiwan machine tool industry, and machining is integrated by specialized division of labor. The correlation between the upstream, midstream and downstream machine tool industries is shown as follows:




3. Product development trends:

(1) Technological development trends

The technology of machine tools in Taiwan continues to be high-speed, high-precision and high-composite, mainly in improving the manufacturing process of components, enhancing productivity and reducing costs. Therefore, high-precision, high-speed and open controllers and composite and systemic trends have become a common goal for machine tool manufacturers. In terms of high speed and precision, high-speed feeding systems and high-speed spindles are developed to enhance the machining speed, which is conducive to the improvement of production efficiency; as the production efficiency is improved, the roughness of the machining surface should also be improved, so the high-speed capability should also be considered; in terms of open controllers, with the rapid development of computers and information processing, controllers will make the function of machine tools more intelligent, so as to improve the performance of the machine and reduce the needs and costs of production manpower; in terms of composite trend, to save space, reduce costs and deal with the need for a small number of diverse and complex workpieces, multifunctional composite machines will be developed to reduce the space for the machine, thus reducing workpiece moves and improving machining precision; in terms of systemic trend, flexible machining, automated process, intelligent monitoring and standardized interfaces will be developed.

(2) Product development trends

At present, there are two development trends in the Computer Numerical Control (CNC) machine tool market. First, machine tools of standard specifications occupy the low-price markets with mass production and low costs; second, high-precision and high-quality machine tools are produced by the technological level, and occupy the high value added markets with the price-performance ratio; high value added machine tools will be of high speed, multiple functions, environmental safety, quality stability and product stability in the future, and machine tool manufacturers are actively improving the production process, and develop high-speed spindles, high-speed cutting and high-precision products to improve competitiveness.

4. Product competition

The Company's current products include gantry machine products and small C-type machines, and the competition of the products is described as follows:

In the gantry machine products, the processing of such products is complex, and these products cannot be mass-produced since the specifications vary with customer requirements and thus are diverse and in a small quantity. At present, companies producing similar products worldwide include WALDRICH SIEGEN in Germany, and SNK, OKUMA, TOSHIBA and MITSUBISHI in Japan, which occupy market segments with different prices from domestic machine tool manufacturers due to their high unit prices.

In the C-type machine products, with large market demands, there are a number of manufacturers for the same type of products at home and abroad, and such products vary in functions and properties and capture different market segments. The products mainly include special machines and multifunctional machines. At present, the Company's C-type machines are mid-range multifunctional machines, with its main competitors from the same industry in South Korea, Italy and other countries. Since the labor cost in Taiwan is lower than that in South Korea, Italy and other countries, Taiwan is more competitive in such products than manufacturers of the same grade in other countries. However, influenced by exchange rate fluctuations, the competition will increase or decrease as there is a large change in the exchange rate of the New Taiwan dollar or the competitor.

In the five-axis machines, with the growth in market demands and large investment of domestic and foreign competitors in research and development, the Company also invests in the development of small, medium and large five-axis machines. At present, companies producing similar small and medium products worldwide include Hermle, and DMG&MORI in Germany, and those producing large products include SNK, OKUMA, TOSHIBA, and MITSUBISHI in Japan. These companies capture market segments with different prices from domestic companies due to their high unit prices, while the domestic competitors' products are not mature, and thus may have considerable opportunities in market competition.

(III) Research and development:

1. Technical level of the business affairs

   Since its inception, the Company has focused on the R&D, production and manufacturing of machine tools, with its main technology from long-term cultivation of talents, technology establishment, experience inheritance, and self-development of products, and main R&D cadres have the ability to develop products and maintain close cooperation with upstream component suppliers. As the design and manufacturing of machine tools require long-term experience accumulation and planning ability, the Company technologically works with the Industrial Technology Research Institute (ITRI), a specialized machinery research institute in Taiwan, and the Precision Machinery Research & Development Center for product development and improvement.

   By means of years of experience in product R&D, the Company has built a complete R&D system and can develop the product process capability for customer application demands to meet customers' demands for product quality and maintain market competitiveness in production technology that is superior to the same industry.

2. Research and development status

   In recent years, the Company has focused on the improvement of production efficiency and process capability, and thus the development of high-range products. In the future, the Company's R&D interest will include continuously reducing production cost, and actively developing in the fields of aerospace, 3C industry, light metal machining industry and precision mold machining industry. The products for development in the near future are as follows:

   (1) Small and medium horizontal boring mills

   Small and medium CNC horizontal three-axis machines, as the main body, are equipped with rotary high payload index tables and self-made boring spindles to cope with the precision machining applications; in addition, a table exchange mechanism is developed to reduce downtime and improve work efficiency.

   (2) Large horizontal boring mills

   The main market is large turbine parts machining industry, large mechanical precision parts, large pipe valve parts and wind power parts manufacturing industry. The product features include ultra-high payload table, ultra-large work stroke, ultra-large spindle output torque and three-axis travel module design that can be matched according to customer needs.

   (3) Large gantry type five-axis machining center

   In response to the trend of large product development in the market, the Company will modify super-large crown block gantry machines, and improve the machining efficiency and quality; it will add two rotary spindle heads to the large crown block gantry to improve products' machining performance, and minimize the number of turns of large workpieces.

(4) Small high-speed CNC vertical machining center

Small CNC vertical three-axis machines, as the main body, are optimized in structure and performance to meet the parts machining needs of the 3C industry and ensure high efficiency, high precision and low cost.

(5) Intelligent software development

In response to customers requirements for strict machining, including size, shape, surface brightness and reduced processing time, the Company will continue to develop the most appropriate machining parameters, compensation function, anti-collision simulation software and machine status monitoring function to meet the needs of different industrial groups, improve customers' satisfaction with products, and enhance product competitiveness.

(6) Development of high-precision optical mounting and correction system of large machine tool

To meet the product needs of the large object processing market, the Company will develop ultra-large stroke machines. To satisfy the needs, and improve product precision and value, the Company advances precision assembly technology, and participates in "Development of High-precision Optical Installation Calibration System for Large Machines and Tools", an industry-university cooperation plan led by National Formosa University.

(7) Development of large moving column moving cross rail gantry five-face machining center

To meet the product needs of the large object processing market, the Company will develop ultra-large moving column moving cross rail gantry five-face machines to meet the processing needs of large, high-torque and high-rigidity products.

(8) Development of gantry friction stirring welder

Based on the "friction stirring welding technology", a new technology transfer by the Company and TWI (The Welding Institute), UK, and the current gantry machine framework, the Company can enter the welding market of shipbuilding, aerospace and automobile industries. At present, no manufacturer in Taiwan develop this type of functional machines, and the Company first enters the market to capture the blue ocean market, increase product lines and improve its competitiveness.

The Company, which pays particular attention to the R&D of products, forms the product R&D team from time to time, in which the R&D personnel are responsible for the development of new products, improvement of production process and technical guidance.

3. R&D expenditure in the latest year

The ratio of the Company's R&D expenditure in the latest year in the operating revenue is as follows:

Unit: NT$ thousand

| Items \ Year | 2022 | 2023 | 2024 Q1 |
|---|---|---|---|
| Research and development expenses | 61,671 | 53,729 | 21,210 |
| Operating revenue | 3,100,517 | 2,361,917 | 362,524 |
| Ratio in operating revenue | 1.99% | 2.27% | 5.85% |

Note: The data for the First Quarter of 2024 has been reviewed by CPAs

To meet the market demand and improve product competitiveness, the Company especially attaches importance to the R&D of products, investing in NT$61,671 thousand and NT$53,729 thousand in 2022 and 2023, which accounted for 1.99% and 2.27% of the operating revenue. The investments are mainly used to develop new products, modify the functions of the original products, test new products and develop components. The Company continues to attract R&D talents, and add R&D equipment and relevant application software. In the future, the R&D funds are expected to stably increase with the revenue scale.

4. Successfully developed technology or product

The Company's R&D results are developed based on more than 20 years of production technology and constantly modified according to customers' actual needs, so as to improve product performance and gain the competitive advantage in the market. The R&D results of the Company in the latest years are listed as follows:

| Year | Successfully developed technology or product |
|---|---|
| 2008 | 1. Complete the development of the optimal cutting parameter "I Console", and facilitate the control interface.<br>2. Development of BL2018-S/14.<br>3. Development of new five-face spindle head.<br>4. Development of AF-1250<br>5. Development of A+1800/2100/2500<br>6. Development of FMV-45U |
| 2009 | 1. Development of MVP-5032 moving cross rail machining.<br>2. Development of ultra-large crown block gantry machines: LG-10070, LG-20070.<br>3. Development of a full range of AF linear guide vertical machines.<br>4. Development of BL high payload rotary tables, Z-axis 1.4m gear spindles, LP five-face machines, Y-axis screw vibration proof mechanisms, and APC units. |

| Year | Successfully developed technology or product |
|---|---|
| 2010 | 1. Development of LV-6030 gantry type composite five-axis machine.<br>2. Development of small and medium gantry five-face machine series: LP-2515/3016/4016/5016.<br>3. Development of a full range of large bridge type five-axis machine MEGA 5P.<br>4. Development of 8000rpm high-torque oil mist internal spindle. |
| 2011 | 1. AF510 small high-sped CNC vertical machining center.<br>2. MB1512 medium horizontal boring mills.<br>3. Development of a full range of large gantry type five-axis machines MEGA 5G. |
| 2012 | 1. HTP high-rigidity gantry machining center.<br>2. Gantry friction stirring welder.<br>3. Medium LP gantry type integrated machining center. |
| 2013 | 1. Development of new AC automatic universal joint.<br>2. New fixed column gantry machining center.<br>3. HD bridge type machining center.<br>4. FCV-620 5-axis vertical machine.<br>5. AH630 ultra performance horizontal machining centers. |
| 2014 | 1. Development of horizontal head center effluent function.<br>2. Development of gantry X-axis nut swivel feeding system.<br>3. Development of MVP-8040 moving cross rail machining.<br>4. Development of EMENA head-changing spindle system.<br>5. AH500 ultra performance horizontal machining centers.<br>6. Development of MEGA5 P2520 high-speed bridge type five-axis machine.<br>7. FMV99 improvement and optimization.<br>8. Appearance aesthetics metal plate of C-type machine.<br>9. High-speed gear spindle of C-type machine.<br>10. MB2012 medium horizontal boring mills.<br>11. Development of FV960 vertical five-axis machine. |
| 2015 | 1. Proposal for modification of the MEGA5G feeding system.<br>2. Development of AF510#30 meantime tool charging system.<br>3. Development of machines for CAM (special machines for automation system components).<br>4. Optimization and development of FCV800 gantry type spindle machining center.<br>5. Development of MEGAxx20 series bridge type five-axis machines.<br>6. The development of SP machine side-mounted tools is more in line with the economic market demands.<br>7. Development of 760 long-nose gear spindle.<br>8. Increase air curtain function to the gear spindle. |

| Year | Successfully developed technology or product |
| --- | --- |
| | 9. Low cistern improvement for SP machine.<br>10. Optimization and development of the metal plate appearance and aesthetics of HD high-rigidity gantry machines.<br>11. Comprehensive optimization and development of new VP bridge type machine (including the optimization and development of appearance and aesthetics).<br>12. Optimization and development of AH series chip removal system.<br>13. Optimization and development of FCV620 moving column five-axis machining center. |
| 2016 | 1. Gantry type high speed 5 axes machining center.<br>2. Horizontal full moving column high-speed five-axis machining center.<br>3. AC full-automatic universal joint.<br>4. Five-axis joint.<br>5. Large moving column moving cross rail gantry five-face machining center.<br>6. Milling machine machine 5 axes machining center. |
| 2017 | 1. Development of super traveling column machine.<br>2. Development of high-speed internal spindle.<br>3. Development of long-nose internal spindle.<br>4. Development of the high-rigidity 90-degree horizontal head.<br>5. Development of high-speed central effluent extension head.<br>6. Improvement of the number of tools for AT510 small high-speed CNC vertical machining center.<br>7. Development of automobile molds for FCV620-H moving column five-axis machine.<br>8. Development of self-made five-axis head (A5+M specification).<br>9. Development of large C-type machine equipped with special automation system for track machining. |
| 2018 | 1. Development of vertical and universal joint automatic universal joint.<br>2. Development of European 12,000RPM internal spindle.<br>3. Development of the RG gantry type five-axis machining center.<br>4. Development of the new-generation manual horizontal joint and universal joint.<br>5. Development of face grinding additional head.<br>6. Development of new-generation A+/AF vertical integrated machine.<br>7. AHM-800 horizontal integrated machine.<br>8. Development of AE-1000 vertical part machine.<br>9. Development of VP6012 gantry high-speed aluminium structural parts machining center.<br>10. Development of the EH5-500 horizontal five-axis machine. |

| Year | Successfully developed technology or product |
| --- | --- |
| 2019 | 1. Development of the FCV-800II new-generation five-axis machine.<br>2. Development of φ110 boring spindle head module (MB).<br>3. Development of quick mold change (efficiency enhancement) module of the machining department.<br>4. Development of AC full-automatic universal joint.<br>5. Development of SP4 high-speed gantry aluminium machine.<br>6. Development of BS-Φ130 boring axis.<br>7. Development of 16K internal spindle. |
| 2020 | 1. Development of the moving column moving beam machining center.<br>2. Development and release of the intelligent information control system product.<br>3. Development of production management function of the intelligent information control system.<br>4. Development of the AD-550/500 two-spindle C-type machine.<br>5. Development of φ110 boring spindle head module (AHM specification).<br>6. Development of CF-1060 efficient/rigid vertical machine.<br>7. Proposal for optimization of NA+ gear spindle (small) (#50-6K is enhanced to 8K).<br>8. Development of LH-119 gear spindle (assist in Yiquan).<br>9. Development of adaptive cutting function.<br>10. Development of wireless handle function.<br>11. Development of MEGA5P and RG5 five-axis machine. |
| 2021 | 1. Optimization and development of the one-index AC full-automatic universal joint.<br>2. Optimization and development of the 4,500RPM horizontal joint.<br>3. Integration of the LB/EP fixed column gantry machine.<br>4. Development of tool management function.<br>5. Development of tool monitoring function.<br>6. Development of the diagnostic function of the machine. |
| 2022 | 1. Development of VP-type 12KB internal spindle.<br>2. Electrical design of the self-made tool changer.<br>3. Development of Z800 hard track short gear spindle.<br>4. Development of the AU-680 high-rigidity moving column five-axis machine.<br>5. Development of VP-xx16 gantry machine (lockable).<br>6. Development of AHM-800-APC horizontal pallet changer.<br>7. Design and development of X-A2 biaxial head.<br>8. Development of the intelligent spindle thermal displacement deep learning compensation technique.<br>9. Development of the intelligent tapping deep learning automatic dispatch technique. |

| Year | Successfully developed technology or product |
| --- | --- |
| | 10. Development of intelligent information control system platform (FANUC controller). |
| 2023 | 1. Intelligent digital communication box.<br>2. Intelligent information APP.<br>3. Development of the Z800 linear guide vertical junction spindle box.<br>4. Improvement of vertical and horizontal tool arms in tool storage.<br>5. Development of the tray storage system of the five-axis machine. |

(IV) Long- and short-term business development programs:

Since its inception, the Company has actively expanded high-precision and automated production equipment to improve production efficiency, production capacity and technical level, develop high value added products, and create operating benefits. The short-term and long-term development programs of the Company are described as follows:

1. Short-term business programs

(1) Marketing strategies:

- Strengthen the customer service quality system

  The Company establishes two-way communication channels between the Company and customers, strengthens the training of marketing and customer complaints personnel, promotes good customer service quality, and provides after-sales services for products, and prioritizes information reflected by customers, striving to meet customers' satisfaction and enhance the long-term relationship with customers.

- Obtain orders of high value added products to enhance competitive advantages

  In addition to customers in long-term cooperation, the Company strengthens the development of domestic potential customers to expand business space, and actively obtains orders of high value added products, so as to increase the proportion of medium- and high-priced machine tools, obtain market segments with other companies in the same industry and enhance competitive advantages.

- Disperse customer sources and adjust product structure and channel

  The Company consolidates and expands customer sources, while maintaining good cooperation with existing customers. In addition, the Company, in response to market demands and industrial development trends, also adjusts the product structure and actively develops diversified sales channels, and wins orders from domestic and foreign customers with its production flexibility and product quality and disperses order sources to reduce the operating risk of changes in industrial prosperity.

(2) Production strategies

- Mass-production and modularization of machine tools
  In response to the need for shorter market delivery, the Company strengthens the mass production and modularization of machine tools to meet customers' need for multifunctional applications and improve production flexibility, while sharing of components can reduce the inventory risk of stocks.
- Upgrade the assembly level of the mainland plants
  The Company upgrades the assembly level of its mainland plants, cultivates local mechantronic talents, and develops its own-brand products to strengthen product cost competitiveness and meet mainland customers' need for local delivery.

(3) Development orientation of product

- Supply ability of complete product lines
  In addition to the development of large precision machine tools, the Company also develops small and medium CNC vertical machining centers and has the supply ability of complete product lines in response to customer demands and all-round market needs, so as to meet customers' need for one-stop shop.
- Enhance the integration of high-speed machine tools and application software
  To comply with the trend of high-speed development in the market, the Company will develop and modify small and medium high-speed machines, improve product machining efficiency, including size, shape and surface brightness, and shortens machining time; it will also develop the most appropriate parameter software, and meet the needs of different industrial groups and upgrade the competitiveness of small size machines by optimizing parameters.

(4) Operating scales and financial cooperation

- Implement the management system, and improve administrative efficiency
  The Company will effectively plan its management system, and implement the computerization of enterprise information to perfect the information integration, analysis and customer services; the Company will also promote the performance management system to improve the administrative efficiency.
- Strengthen financial management, and properly use funds

2. Long-term business programs

(1) Marketing strategies:

- Expand overseas markets and enhance international reputation
  The Company will actively expand the international market, and attract orders from foreign customers with good reputation; it will also set up plants in the mainland to develop emerging markets and increase the sales percentage of overseas markets to establish a global marketing network and realize market diversification.
- Integrate resources across departments to ensure competitive advantages

By improving the customer service mechanism and integrating resources across departments, the Company improves the flexibility and mobility of the production process, and enhances its professional image to get customers’ trust, and then it expands its performance and profits to ensure the competitive advantages.

(2) Production strategies

- Enhance production efficiency and improve product quality

  Based on the product demands of domestic and foreign customers, the Company proposes the production plan, plans the development progress of new products, and accelerates the commercialization of products, ensuring that it can achieve the operating revenue target; the Company also effectively utilizes the production capacity to improve its overall production efficiency.

- Adjust production structure in response to market supply and demand

  In the future, the Company will adjust the production structure according to the changes in market supply and demand and business cycle to optimize the production flexibility; the Company will also form a strategic alliance with upstream and downstream manufacturers, and strengthen the division of labor system to improve the profitability.

(3) Development orientation of product

- Improve the ability to self-make the key parts

  The Company will continue to train electronic control system talents, and develop key components of machine tools, such as precision bearings, with domestic technical research institutions, to reduce its dependence on foreign suppliers.

(4) Operating scales and financial cooperation

- Uphold the concept of sustainable development, and expand the operating scale

  Adhering to the concept of sustainable operation, the Company actively cultivates R&D talents, and builds talents needed for the long-term development of the Company and accumulate R&D strength based on industry-university, dual system of vocational training, so as to improve the global competitiveness. In addition, combined with the long-term marketing strategy and production policy, the Company improves the production automation and product quality, and expands the operating scale and business items to increase market shares.

II. Markets, production and marketing in summary

(I) Market analyses

1. Sales regions of key products

Unit: NT$ thousand

| Region \ Year | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Taiwan | 279,683 | 11.84 | 806,651 | 26.02 |
| Mainland China | 1,045,941 | 44.28 | 1,097,559 | 35.40 |
| Asia | 172,662 | 7.31 | 179,114 | 5.78 |
| USA | 300,399 | 12.72 | 270,455 | 8.72 |
| Turkey | 217,565 | 9.21 | 195,875 | 6.32 |
| Italy | 174,453 | 7.39 | 97,816 | 3.15 |
| Other countries | 171,214 | 7.25 | 453,047 | 14.61 |
| Total | 2,361,917 | 100.00 | 3,100,517 | 100.00 |

2. Market share

Due to the wide variety of machine tool products and great differences in functions, specifications and applications, it is hard to objectively count and analyze identical products. The Group’s main products belong to the metal cutting machine tool manufacturing and repairing industry of the industrial machinery, with a sales value of NT$2,361,917 thousand in 2023.

3. The future market supply and demand and growth potential

(1) Future market supply

Machine tools are used in all walks of life. In addition to traditional automobile and motorcycle industry and household appliance industry, machine tools are also mainly used to manufacture and produce components in high-tech industries, such as information industry and aerospace industry, so the range of application is extremely wide. With the development of global intelligent and unmanned factories, the machine tool industry will develop to be high-range and complex in the future. In addition to continuously capture the existing market with cost advantages, the Company also plans to gradually integrate the surrounding automated components through domestic information electronic technology support and cooperation with academic units, so as to meet the intelligent and plant output of machine tool products.

(2) Future market demand

The terminal application industries of machine tools are all-inclusive. In addition to automobiles, motorcycles, and precision mechanical part processing, it also includes the electronic industry such as semiconductors and flat panel displays, and wind power generation, solar photovoltaic and LED markets in the green energy industry.

It was pointed by TMBA that, as for the estimated main export markets of Taiwan’s machine tools in 2024, the inflation and rise in interest rate in 2023 led to consumption shrink in the USA, and its investment in equipment assets tended to be conservative, and plus the president election to be held in the USA this way, there would be more variables. Although the European market has inflation slow-down and prosperity recovery, the energy crisis has not been lifted, and the EU Carbon Border Adjustment Mechanism (CBAM) has begun to impose carbon tariffs, etc., showing a slow and recovering status of the consumption demand for machine tools and equipment.

As for the Mainland China market, subject to the bubble of the real estate market and the lack of consumer confidence, etc., there is a weak private investment demand, which also affects the people's willingness to purchase equipment. In addition, India, Vietnam and Thailand in Southeast Asia benefited from the supply chain restructuring after the COVID-19, the transfer of production bases and the rise in domestic manufacturing demand, having a great increase in consumer demand for machine tools.

(3) Future market growth

According to analysis by TMBA, the prosperity of global machine tool industry in 2024 was the same as that in 2023, where, the export value of machine tools in 2023 was US$2.6 billion, with an annual decrease of 14%, the output value of the global machine tool industry in 2024 will increase from US$74.32 billion to US$78.04 billion, and the output value of Taiwan's machine tools will increase from US$3.31 billion in 2023 to US$3.37 billion.

The topic for 2050 carbon neutrality continues to develop, and new equipment needs to be invested in this industry in response to today's topic for carbon neutrality; we believe that the machine tool market will have the opportunity to usher in a new wave of growth in the future.

4. Competitive niche

(1) The Company focuses on business operation, and its image is well recognized

For more than 30 years since its inception, the Company has an excellent reputation and image in its private brand "AWEA". The Company has adhered to the high-quality policy and strived to improve customer satisfaction over the years, being certified by the international quality management system ISO 9001 and the environmental management system ISO 14001 in 1996 and 1998, respectively. The products comply with the EU CE safety regulations. With strict requirements on product quality and technical level, the Company has constantly developed new products, and established complete product lines, which enables itself a considerable competitive advantage in the machine tool market.

(2) The operation team has abundant professional experience

Members of the Company's current operating team has focused on the machine tool industry for years. The main cadres have rich experience in the industrial environment changes, product development trends, manufacturing, marketing business, and other aspects. In recent years, the Company's operating revenue and profits have been growing year by year, and the operating team has excellent professional quality and operating performance.

(3) The R&D ability is strong, and the technical level of products is high

The Company, which is actively engaged in the research and development of process technology, also cooperates with the Mechanical and Mechatronics Systems Lab., ITRI and the Precision Machinery Research & Development Center to obtain technology transfer and the latest product information, so that the Company has competitive advantages in the development of production technology. The Company makes creative efforts on an established basis. It has published a number of R&D results over the years, which has been affirmed by all levels of government agencies and professional associations, and won several certifications, awards and patents, which shows that the product quality and technical capacity have reached the international level.

(4) Products are produced flexibly, and the positioning and segmentation strategy is proper

To meet the needs for customized products and shorter delivery, the Company continues to improve the added value of products, and establishes the outsourcing system and modularized production technology to reduce the production cost and delivery time. In addition, the Company positions its products in the medium-and high-range machine tool markets with high added value with complete product combination and strong product development capacity, and gains a foothold in the medium-and high-range machine tool markets controlled by Japan and Germany for a long term with its price advantages, while avoiding price competition within the industry.

(5) Sales bases are expanded at home and abroad, and perfect after-sales service is provided

The Company works with distributors with sales and maintenance ability to provide logistics and technical support for distributors and improve their marketing and service ability, so that they can better expand overseas sales markets, provide real-time after-sales services and establish a good brand image.

5. Advantages and disadvantages of development and countermeasures

(1) Advantages

- The industrial prospect continues to develop and the Taiwan industry remains competitive

  The mechanical industry is one of ten emerging industries with high added value and high technology planned by the government, and electronic information and automobile and motorcycle industries thriving in such regions as the Mainland China and Southeast Asia provide excellent mechantronic integrated resources and stamping equipment markets for the mechanical industry. After the China-United States trade war, Taiwan companies replace some American companies for purchasing goods from China, and Taiwanese companies return to Taiwan to expand factories, which increases the machine tool demands of the Taiwan market.

- There are multiple channels for the sales of private brands, ensuring extensive sales bases

  The Company's products of the private brand "AWEA" are sold worldwide, mainly in America, Asia and Europe. In the future, the economy in European and American regions continues to grow, and the Company should perform more well. Meanwhile, Asian emerging markets Mainland China and India drive the demands for machine tools, which are also the future niche market and growth driver of the Company. In addition, the Company disperses its markets through direct selling, distribution, agency and other channels to promote business, which also contributes to the steady growth of sales performance.

- Excellent product quality is deeply recognized by the market

  Since its inception, the Company has spared no effort in quality inspection and technology improvement, based on which it not only is certified by the international quality management system ISO 9001 and the environmental management system ISO 14001, but also complies with EU CE regulations, with its production process and product quality at the international level. In addition, the Company has also won several awards, such as Taiwan Excellence Award, Good Design Award, Taiwan SMEs Innovation Award, National Award of Outstanding SMEs, and Industrial Technology Advancement Award, which have positive effect on the image and international competitiveness of the Company's products of the private brand "AWEA". Therefore, the Company is highly trusted by customers.

- Unique process innovation capability

  The Company has focused on the development of new products, and customized, diversified and small-scale production. It has appointed excellent senior engineers to constantly improve the process and manufacturing capacity, such as simple and rapid process change, flexible process management, and real-time production support, and immediately and rapidly used process innovation technology to modify the production lines, ensuring rapid delivery and stable quality.

- Highly vertical division of labor between the central factory and the subcontractor

  The Taiwan machine tool industry has a complete satellite system. In addition to a few key components supplied by foreign manufacturers, most of other components can be self-produced. The Company's mechanical parts are supplied by the subcontractor engaged in casting machining and component production, which cooperates with the Company for a long term, and the production process is efficient and flexible.

(2) Disadvantages and countermeasures

- Shipping port congestion and rising energy price make the ocean freight several times higher than that in the normal period.

  Countermeasures:

  In response to this trend, the Company actively modifies the design of machines, and designs lockable machines to reduce the transportation cost and improve the competitiveness of products.
- Domestic labor wages and production cost increase

  It is hard to cultivate domestic technical talents and there is a shortage of experienced workers. In addition, the government has gradually adjusted benefit policies, adopted national health insurance, and raised basic pay in recent years, which results in a gradual increase in operating costs.

  Countermeasures:

  The Company actively strengthens the training of educational technology in employees, and improves the whole working environment to reduce the employee turnover rate. In addition, the Company also enhances production efficiency, increases investment in automated equipment and outsourcing work, reduces direct demands for human resources, improves employee efficiency and reduces production costs.
- Some raw materials rely on foreign plants

  At present, the technology of key components of machine tools in Taiwan, such as numerical controllers and precision bearings, remains in the hands of manufacturers in Japan, Germany and other countries. The high proportion of these components in the cost will be unfavorable to the future development and international competitiveness of the industry.

  Countermeasures:

  The Company reduces the production cost of key components by expanding production capacity and adopting bulk purchase, and maintains cooperation with several suppliers by dispersing supply sources, so as to reduce the risks of excessive concentration of supply sources and price fluctuations.
- The domestic sales market is small, and the product competition is fierce

  Compared to European and American countries, Taiwan features a relatively small domestic market in the machine tool industry, and fierce competition due to highly homogeneous products in the same industry, thus forming a special phenomenon of installment sales, which has an adverse effect on the operation of the Company.

  Countermeasures:

  In order to avoid fiercely competitive domestic trading conditions, the Company has, in recent years, implemented the product segmentation policy to avoid the price war in low-priced products in the same industry; it has also actively expanded overseas markets, widely set sales service bases, enhanced the marketing and maintenance ability of agents, and established close cooperation with other countries to expand the operating scale of overseas markets and disperse the risk of excessive concentration of sales in Taiwan. In addition, by developing or participating in technical cooperation programs of research institutions, the Company has developed high-precision, automated, high-performance products to improve the added value of products and create market segments.

(II) Manufacturing process and key purposes of our principal products

1. Key purpose

The Company is mainly engaged in the development, design, production, manufacturing, purchase and sales, and other businesses of Computer Numerical Control (CNC) machine tools, and belongs to the metal cutting machine building industry in industrial machinery. The machine tool industry is technology-intensive, high value added, and highly interconnected to other industries, especially the mechanical industry, national defense industry, automobile industry, and aerospace industry. The products are widely used for precision component machining, automobile metal plate stamping molds, plastic molds, and aerospace part machining. The key purposes of the Company's main products are as follows:

| Main products | Key purpose |
|---|---|
| Gantry Vertical Machining Center | Part and mold machining of machine tools and industrial machinery, automobile and motorcycle molds, plastic molds, petrochemical industry, power plant boiler parts and aerospace military parts, and household appliance industry |
| Gantry Five-Face Machining Center | Multifaceted machining of large precision parts in the above industries |
| Gantry Fixed Column Machining Center | Part and mold machining of machine tools and industrial machinery, automobile and motorcycle molds, plastic molds, petrochemical industry, power plant boiler parts and aerospace military parts, and household appliance industry |
| Gantry Moving Column Machining Center | Large automobile and motorcycle molds, petrochemical industry |
| Bridge Type 5-Axis Machining Center | Aerospace parts, complex curved surface parts machining |
| Moving Column Horizontal Boring and Mills | Medium and large precision axis hold machining, medium and large parts machining |
| C-type Vertical Machining Center | Applicable to light metal machining industry, small and medium mold industry, and automobile parts and 3C industry |

2. Product manufacturing process

Production plan → Components Cast/Raw materials → Machining Procurement of purchased parts → Incoming quality inspection

Painting → Mechanical assembly → Electronic-controlled assembly → Mechantronic adjustments

Finished product quality Inspection → Packing/ Shipping → Installation and acceptance at the customer site → After-sales services

(III) Supply status of major raw materials

The main raw materials of the Company's products are controllers, castings and linear tracks. In recent years, most of the controllers have been purchased from domestic manufacturers, which will have price differences due to different brands and software functions. However, the Company and the suppliers are in good cooperation, although the price has increased this year, the suppliers are still willing to offer special price to us, without too much fluctuation. The suppliers of castings and linear tracks are all our long-term cooperative partners, and although the purchase prices will be subject to slight fluctuation due to change in international price of raw materials and difference in specifications, on the whole, the Company's can obtain sufficient main raw materials from a number of domestic and foreign suppliers that are in long-term cooperation with the Company, so the Company can maintain both the price and the quality in a reasonable and stable way. It is expected that the overall supply of raw materials in 2024 will be stable.

(IV) The names of any customers that have purchased 10% or more of the Company's gross purchases (sales) in either of the last two years, and the amount and proportion, and set forth the reasons for changes in increase or decrease.

1. The major customers that have purchased 10% or more of the Company's gross sales in the last two years:

Unit: NT$ thousand

| | 2022 | | | | 2023 | | | | 2024 Q1 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Items | Name | Amount | Ratio to net sale in the whole year (%) | Relationship to the issuer | Name | Amount | Ratio to net sale in the whole year (%) | Relationship to the issuer | Name | Amount | Ratio to net sales as of the last quarter of 2024 (%) | Relationship to the issuer |
| 1 | Customer G | 277,768 | 8.96 | None | Customer G | 421,868 | 17.86 | None | Customer G | 59,227 | 16.34 | None |
| 2 | Customer A | 240,190 | 7.75 | Associates | Customer A | 299,505 | 12.68 | Associates | Customer A | 41,051 | 11.32 | Associates |
| | Others | 2,582,559 | 83.29 | | Others | 1,640,544 | 69.46 | | Others | 262,246 | 72.34 | |
| | Net sales | 3,100,517 | 100.00 | | Net sales | 2,361,917 | 100.00 | | Net sales | 362,524 | 100.00 | |

Explanation on the change in increase or decrease:

Benefiting from the increase in demand from the IT semiconductor industry and the energy industry, and the transfer effect of international manufacturing bases, Customer G and A made concentrated shipments in 2023. However, due to the tightening of monetary policy and weak trade in the USA, and the global geopolitical policy tensions, the Company's sales were not so ideal on the whole, which also increased proportion of such customers.

2. The major manufacturers that have purchased 10% or more of the Company's net purchases in the last two years:

Unit: NT$ thousand

| | 2022 | | | | 2023 | | | | 2024 Q1 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Items | Name | Amount | Ratio to net purchases in the whole year (%) | Relationship to the issuer | Name | Amount | Ratio to net purchases in the whole year (%) | Relationship to the issuer | Name | Amount | Ratio to net purchase as of the last quarter of 2024 (%) | Relationship to the issuer |
| 1 | FANUC | 211,894 | 10.51 | None | FANUC | 79,507 | 5.38 | None | FANUC | 12,690 | 3.07 | None |
| | Others | 1,803,998 | 89.49 | | Others | 1,398,964 | 94.62 | | Others | 400,119 | 96.93 | |
| | Net purchase | 2,015,892 | 100.00 | | Net purchase | 1,478,471 | 100.00 | | Net purchase | 412,809 | 100.00 | |

Explanation on the change in increase or decrease:

Controllers, the main raw material purchased by the Company, is one of the components necessary for the machine tool to achieve various precision and complex machining functions, so the function and reliable and stable quality have been valued by customers. Fanuc is a world-renowned manufacturer, which provides products with stable quality, and has a perfect marketing and after-sales service system in the world, and its maintenance and operation training is quite quick and easy. Therefore, Fanuc controllers are often specified by the Company's sales customers.

(V) Production volume and value for the last two years

Unit: set/NT$ thousand

| Year / Production volume and value / Key Products | 2022 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Capacity | Output | Output value | Capacity | Output | Output value |
| Gantry machine | 385 | 208 | 1,171,550 | 363 | 150 | 958,933 |
| C-type machine | 1,234 | 683 | 1,146,793 | 1,266 | 495 | 909,604 |
| Maintenance and others | 15 | 15 | 92,039 | 7 | 7 | 83,051 |
| Total | 1,634 | 906 | 2,410,382 | 1,636 | 652 | 1,951,588 |

(VI) Sales volume and value in the last two years

Unit: set/NT$ thousand

| Year / Sales volume and value / Key Products | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic sales | | Export | | Domestic sales | | Export | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Gantry machine | 38 | 299,449 | 171 | 1,197,678 | 15 | 123,360 | 135 | 1,028,934 |
| C-type machine | 212 | 446,843 | 485 | 1,013,595 | 54 | 117,410 | 450 | 971,495 |
| Maintenance and others | 16 | 60,359 | 0 | 82,593 | 7 | 38,913 | 0 | 81,805 |
| Total | 266 | 806,651 | 656 | 2,293,866 | 76 | 279,683 | 585 | 2,082,234 |

III. The number of employees employed, average years of service, average age, and ratio of academic qualification in the last two years

Information of employees employed in the last two years

| Year | | 2022 | 2023 | As of March 31, 2024 |
|---|---|---|---|---|
| Number of employees | Direct labour | 207 | 185 | 175 |
| | Indirect labour | 387 | 341 | 333 |
| | Total | 594 | 526 | 508 |
| Average age | | 38.1 | 38.5 | 39.5 |
| Average years of service | | 8 years and 4 months | 8 years and 9 months | 10 years and 1 month |
| Ratio of academic qualification | Doctoral degree | 0.00% | 0.00% | 0.20% |
| | Master’s degree | 7.24% | 6.84% | 7.48% |
| | Bachelor’s degree | 59.76% | 61.22% | 60.63% |
| | High school | 28.12% | 26.62% | 26.57% |
| | Below high school | 4.88% | 5.32% | 5.12% |

IV. Environmental spending

(I) By statute, if there is a need to apply for the pollution facility installation permit or pollution discharge permit or pay pollution prevention fees or set up dedicated environmental protection unit personnel, the application, payment or setting up conditions are described as follows:

No pollution will be caused in the Company’s product manufacturing process, and there is no need to apply for the pollution facility installation permit or pollution discharge permit, pay pollution prevention fees or set up dedicated environmental protection unit personnel. In addition, general household waste is cleared and transported by qualified cleaners; before machine delivery, the cutting oil from operation test, which cannot be recycled, is recovered by the recycler. The Company has not suffered any loss due to environmental pollution in the last two years.

(II) Investment in main equipment for the prevention and control of environmental pollution, and its use and potential benefits:

Unit: NT$ thousand

| Equipment name | Quantity | Date of acquisition | Investment cost | Undiscounted balance | Use and expected benefits |
|---|---|---|---|---|---|
| Coating water curtain-type spray room equipment | 1 set | November 25, 2004 | 3,980 | 0 | Maintain the air quality in the working environment and reduce air pollution |

(III) Pollution disputes involving the process of the Company's improvement of environmental pollution in the last two years and up to the publication date of the Prospectus, and the process of improvement: None.

(IV) Any losses suffered by the Company due to environmental pollution in the last two years and up to the publication date of the Prospectus, and total penalties, future countermeasures and possible expenditures:

No pollution will be caused in the Company's product manufacturing process. In addition, the Company has attached importance to pollution prevention and control, invested funds to set up pollution prevention and control equipment, and strengthened employees' environmental protection education and training. There has been no heavy losses or compensation due to environmental pollution in the last two years and up to the publication date of the Prospectus.

(V) Current pollution situation and the effect of pollution improvement on the Company's earnings, competitive position and capital expenditure, and significant environmental capital expenditure expected over the next two years:

The Company's production activities are mainly design and assembly, and the processing process is mainly outsourced, so there have been no significant environmental pollution issues affecting the Company's earnings, competitive position and capital expenditure since its inception. With the development of the social environmental awareness in recent years, the government is also making stricter pollution discharge standards. While attaching importance to and making efforts in environmental protection, the Company inputs manpower and funds to expand and maintain pollution prevention and control equipment, and also entrusts a professional waste disposal plant to deal with general domestic waste. It is expected that the Company has no significant environmental capital expenditures over the next two years.

V. Employee-employer relationship

(I) The Company's employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees

1. Employee benefits:

The Company attaches great importance to human-based management. To provide employees with a comfortable working space, the Company continues to actively improve the working environment and promote various benefits to properly ensure employees' health and safety in work and life; in addition, through the Employee Welfare Committee organized by employees, actively participate in these activities to employees can adjust their physical and mental health.

(1) All employees participate in labor insurance, health insurance and group insurance, and health insurance is bought for employees' dependents according to government decrees.

(2) The Company holds regular domestic and overseas travels, birthday parties and various group recreational activities for employees, which are participated by all employees and their dependents, so as to gather the cohesion of the Company's employees.

(3) Subsidies are provided for employees on matters such as weddings and funerals, so that they can feel the Company's care.

(4) Assistance is offered to employees in obtaining some loans in case of an emergency accident.

(5) Educational scholarship is provided for employees' children.

Through various benefits and activities organized by the Welfare Committee, the Company allows its employees to balance work and leisure and live a happy life. The benefits provided by the Company are as follows:

| Employee benefits | Provided by the Company | Provided by the Welfare Committee |
|---|---|---|
| Year-end bonus | V | - |
| Performance bonus | V | - |
| Employee bonus | V | - |
| Retention bonus | V | - |
| Free lunch/overtime meal | V | - |
| Model worker | V | - |
| Group accident insurance | V | - |
| Employee stock ownership trust | V | - |
| Annual health examination | V | - |
| Full-time plant carers and occupational doctors are resident in the plant to provide professional consultation | V | - |
| Employee uniform | V | - |
| Spring Festival gift | - | V |

| Employee benefits | | Provided by the Company | Provided by the Welfare Committee |
|---|---|---|---|
| Dragon Boat Festival gift | | - | V |
| Mid-Autumn Festival gift | | - | V |
| Labor Day gift | | - | V |
| Wedding gift | | - | V |
| Childbirth gift | | - | V |
| Employee birthday gift | | - | V |
| Retirement gift | | - | V |
| Domestic and foreign tourism | | - | V |
| Scholarship and grants for children's education | | - | V |
| Association grant | | - | V |
| Medical sympathy | | - | V |
| Memorial ceremony wreath | Employees themselves | V | V |
| | Spouse | V | V |
| | Children | V | V |
| | (Foster) parents | V | V |
| | Grandparents | V | V |
| Year-end dinner for employees | | V | V |
| Emergency loan | | - | V |
| Appointed store discount | | - | V |

2. Employee continuous education and training:
   To help new employees enter the working state as soon as possible, courses are arranged for orientation training to help new employees understand the Company's industrial positioning and future development. In addition, professional courses are provided at irregular intervals, so that employees can receive new information about professional skills at any time and enhance their capabilities.
   To provide on-the-job training for employees, departments arrange appropriate education and training courses in the Company according to actual needs, or employees participate in the courses offered by the training institutions as required by the professional courses of each function, so as to improve employees' professional quality.

3. Retirement system and implementation:
   In accordance with the Labor Standards Act, the Company sets up a Labor Pension Supervisory Committee, which sets aside 2% of the gross salary monthly as the reserve for employee retirement into the Central Trust Bureau special account. The pension payment system is governed by the Labor Standards Act.
   The Labor Pension Act, which came into force on July 1, 2005, adopts the defined contribution. After its implementation, employees shall choose to apply the pension provisions in the Labor Standards Act or apply the pension system in this act and retain the

years of service prior to application. For an employee to whom the act applies, the Company contributes 6% of the employee’s salary monthly as employee pensions into the employee’s individual retirement account.

The Company’s applicable provisions in accordance with the Labor Pension Act and the Company’s preferential retirement management methods are as follows:

(1) Voluntary retirement:

A labor may retire voluntarily under any of the following circumstances: (for labors who choose to apply the Labor Pension Act, the retirement may be handled in accordance with the same act)

A. Those who have worked for more than 15 years and are at least 55 years old.

B. Those who have worked for more than 25 years.

C. Those who have worked for more than 10 years and are at least 60 years old.

D. Those who have served the Company for more than 24 years.

(2) Compulsory retirement:

Compulsory retirement is not allowed to employees who are not under any of the following circumstances:

A. Those who are at least 65 years old.

B. Those who are mentally or physically disabled and incapable of working.

For those under the age specified in the first subparagraph of the preceding paragraph, who are engaged in dangerous, physical or other special work, the Company shall submit the cases to the central competent authority for approval and adjustment. But these employees shall not be under 55 years old.

(3) Pension payment standards:

A. For employees with years of service before and after the application of the Labor Standards Act, and those who choose to continue to apply the pension regulations in the Labor Standards Act or retain the years of service before the application of the Labor Pension Act, the pensions shall be paid accordance with Article 84-2 and Article 55 of Labor Standards Act.

B. For employees with years of service specified in the preceding subparagraph and subject to compulsory retirement in accordance with Subparagraph 2, Paragraph 1, Article 35, who are mentally or physically disabled due to the performance of their duties, additional 10% of pensions shall be paid in accordance with Subparagraph 2, Paragraph 1, Article 55 of Labor Standards Act.

C. For an employee to whom the pension provisions of the Labor Pension Act applies, the Company contributes 6% of the employee’s salary monthly as employee pensions into the employee’s individual retirement account.

(4) Pension payment:

The pensions payable by the Company to employees shall be paid within 30 days from the date of retirement of the employees.

4. Status of labor-management agreements:

   The Company's labor-management relationship is harmonious, all regulations and measures are handled according to law and well implemented. The Employee Welfare Committee meeting is held on a monthly basis and the labor-management meeting is held on a quarterly basis, during which no disputes have occurred.

(II) Any losses suffered by the Company arising from labor dispute in the latest year and up to the publication date of the Annual Report, and any estimated amounts at present and that may occur in the future and measures in response thereto:

The Company has paid attention to the benefits of its employees, and complied with relevant labor-management laws. There have been no losses arising from labor-management disputes in the latest year and up to the publication date of the Annual Report. There is no possibility of losses arising from labor-management disputes in the foreseeable future.

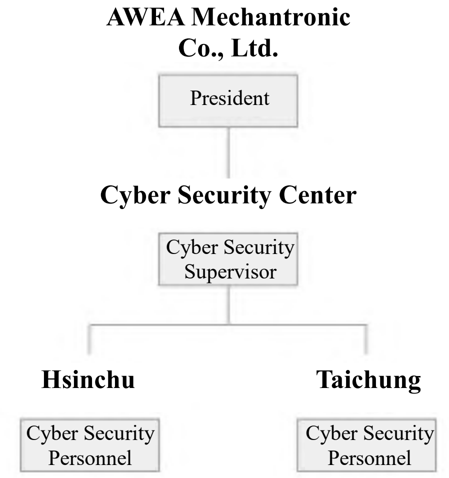
VI. Cyber security management

(I) The cyber security risk management framework, the cyber security policy, specific management plan and the resources invested in the cyber security management:

1. Cyber security management framework

   The Company has established a cyber security center in the General Administration Office, and set up a cyber security supervisor and a cyber security responsible person to plan and formulate the cyber security management policy, implement the promotion policy, and implement and track review, and immediately improve deficiencies regularly, so as to ensure that the policy is effectively implemented. The relevant implementation results are regularly submitted to the Company's senior management meeting, to reduce the operating risk.

   The information center reviews the results of cyber security risk analysis and the corresponding preventive measures and policies adopted by the Company through the annual management review meeting, to ensure the applicability, suitability and effectiveness of the information security management system for continuous operation. The cyber security management performance and cyber security strategy direction are reported to the Board of Directors regularly for regular review and amendment. The results of the latest evaluation were reported to the Board of Directors on November 6, 2023.




2. Cyber Security Policy:
   (1) The cyber security management methods are formulated and implemented.
   (2) Account management is decentralized to avoid the leakage of privileged accounts.
   (3) Internal/external network policies are distinguished and the access is limited.
   (4) Employees’ computer behaviors are recorded faithfully to prevent the occurrence of illegal matters.
   (5) Information room and personal computer data are backed up regularly to prevent data loss.
   (6) Regular education and training are provided to improve employees’ awareness of cyber security.
   (7) An employee signs a cyber security guarantee to ensure their compliance of the regulations.
   (8) The Company joins the Science Park Information Sharing and. Analysis Center (SP-ISAC), and masters the possible cyber security threats and weakness to facilitate early management and response.
3. Specific management programs and resources:
   To achieve the cyber security policies and goals, the Company establishes comprehensive cyber security protection. The management issues and specific management program are as follows:
   (1) The Company adopts a new-generation firewall, and an internal/external network classification system, and employees can only access general services, while permission shall be applied for special services and the records shall be retained.
   (2) The mail server shall be equipped with a spam mail gateway, and social engineering protection, anti-fraud and anti-virus modules shall be purchased selectively to filter harmful emails.
   (3) An endpoint security protection system shall be imported, external equipment shall be controlled, users’ Internet and file access behaviors shall be recorded, and information equipment asset inventory shall be made

(4) The computer room shall be equipped with general anti-virus and advanced MDR anti-hacking software, and shall be entrusted to a manufacturer for 24-h monitoring and protection.
(5) The independent backup area is provided with backup software/hardware, with which information room and personal computer data are backed up regularly. This area can only be accessed by backup services, reducing the risk of hackers.
(6) With account decentralized management, ordinary persons only have the minimum privilege. Special permission must be subject to application for approval. The password of the privileged account shall be changed regularly, and the password strength shall be the highest to reduce the risk.
(7) Regular education and training are provided to improve employees' awareness of cyber security.
(8) Joining the cyber security information sharing organization, the Company can obtain the information about cyber security warning, threats and weakness.

4. Resources invested in cyber security management

Information security has become an important issue for the Company's operations. The corresponding cyber security management issues and resource input plan are as follows:

(1) Special manpower: A full-time enterprise organization "cyber security center", one cyber security supervisor, and two cyber security personnel are set up to be responsible for the Company's information security planning, technology sourcing and related audit matters, so as to maintain and continue to enhance information security. The application for special manpower of cyber security in TWSE/TPEx Listed Companies is completed.
(2) Customer satisfaction: No major cyber security incidents, and no complaints for violation of customer data loss regulations.
(3) Signature of cyber security guarantee: All employees and new employees have signed the cyber security guarantee.
(4) Cyber security announcement: Five Cyber Security Center announcements were issued this year to deliver the relevant provisions and precautions of cyber security protection.
(5) The "instructions for potential hazard of browsing the web and cyber security test" was carried out, and announcements were issued to explain, teach, advocate and test related knowledge to enhance employees' awareness of cyber security. There were a total of 590 readers and 163 effective tests, with an average score of 98.

(II) List the losses, possible impacts, and countermeasures from major cyber security incidents in the latest year and up to the publication date of the annual report. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

VII. Important contract

| Contract nature | Participants | Contract start and end dates | Main contents | Restrictive clauses |
|---|---|---|---|---|
| Land lease contract | Central Taiwan Science Park Bureau | January 1, 2024 - December 31, 2043 | Lease the land of AWEA Central Taiwan Science Park branch | None |
| Project undertaking | San Min Construction Development Co., Ltd. | August 1, 2023 - Completion of construction | Establishment of Dapumei Plant of AWEA | None |

# Chapter VI. Financial Status

I. Condensed balance sheet and statement of comprehensive income for the last five years

(I) Condensed Balance Sheet

1. IFRS - Parent Company Only

Unit: NT$ thousand

| Items \ Year | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 Q1 |
|---|---|---|---|---|---|---|---|
| Current assets | | 2,678,945 | 2,504,911 | 2,974,201 | 3,750,594 | 3,065,538 | 3,117,075 |
| Property, plant and equipment | | 1,530,354 | 1,496,232 | 1,439,750 | 1,395,401 | 1,378,679 | 1,365,505 |
| Intangible assets | | 6,289 | 4,954 | 7,909 | 6,794 | 5,813 | 5,998 |
| Other assets | | 1,448,957 | 1,233,057 | 1,219,084 | 1,095,293 | 1,062,378 | 1,249,845 |
| Total assets | | 5,664,545 | 5,239,154 | 5,640,944 | 6,248,082 | 5,512,408 | 5,738,423 |
| Current liabilities | Before dividend distribution | 2,619,034 | 1,987,014 | 2,465,953 | 2,885,554 | 2,102,698 | 2,127,300 |
| | After dividend distribution | 2,686,650 | 2,180,202 | 2,581,866 | 3,040,105 | Not applicable | — |
| Non-current liabilities | | 185,384 | 128,893 | 137,765 | 109,852 | 115,858 | 284,421 |
| Total liabilities | Before dividend distribution | 2,804,418 | 2,115,907 | 2,603,718 | 2,995,406 | 2,218,556 | 2,411,721 |
| | After dividend distribution | 2,872,034 | 2,309,095 | 2,719,631 | 3,149,957 | Not applicable | — |
| Equity attributable to owners of the parent | | 2,860,127 | 3,123,247 | 3,037,226 | 3,252,676 | 3,293,852 | 3,326,701 |
| Share capital | | 965,942 | 965,942 | 965,942 | 965,942 | 965,942 | 965,942 |
| Capital surplus | | 250,067 | 172,792 | 124,495 | 95,516 | 95,516 | 95,516 |
| Retained earnings | Before dividend distribution | 1,724,431 | 2,039,270 | 1,978,858 | 2,220,850 | 2,267,791 | 2,284,832 |
| | After dividend distribution | 1,656,815 | 1,846,082 | 1,862,945 | 2,066,299 | Not applicable | — |
| Other equity | | (80,313) | (54,757) | (32,069) | (29,632) | (35,397) | (19,589) |
| Treasury stock | | — | — | — | — | — | — |
| Non-controlling interests | | — | — | — | — | — | — |
| Total equity | Before dividend distribution | 2,860,127 | 3,123,247 | 3,037,226 | 3,252,676 | 3,293,852 | 3,326,701 |
| | After dividend distribution | 2,792,511 | 2,930,059 | 2,921,313 | 3,098,125 | Not applicable | — |

Note: (1) The above information has been audited and certified or reviewed by CPAs.

(2) The Company's 2023 earnings distribution proposal has not yet been resolved by the shareholders' meeting.

2. IFRS - Consolidated

Unit: NT$ thousand

| Items \ Year | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 Q1 |
|---|---|---|---|---|---|---|---|
| Current assets | | 3,885,376 | 3,616,189 | 3,859,310 | 4,604,226 | 3,802,854 | 3,816,116 |
| Property, plant and equipment | | 2,376,540 | 1,923,220 | 1,872,994 | 1,797,473 | 1,741,772 | 1,727,180 |
| Intangible assets | | 11,964 | 9,883 | 12,043 | 10,368 | 12,656 | 12,672 |
| Other assets | | 462,803 | 474,678 | 462,933 | 379,731 | 404,609 | 576,943 |
| Total assets | | 6,736,683 | 6,023,970 | 6,207,280 | 6,791,798 | 5,961,891 | 6,132,911 |
| Current liabilities | Before dividend distribution | 3,367,142 | 2,604,765 | 2,825,233 | 3,288,494 | 2,438,770 | 2,410,988 |
| | After dividend distribution | 3,434,758 | 2,797,953 | 2,941,146 | 3,443,045 | Not applicable | — |
| Non-current liabilities | | 357,185 | 167,333 | 225,560 | 135,109 | 135,528 | 302,456 |
| Total liabilities | Before dividend distribution | 3,724,327 | 2,772,098 | 3,050,793 | 3,423,603 | 2,574,298 | 2,713,444 |
| | After dividend distribution | 3,791,943 | 2,965,286 | 3,166,706 | 3,578,154 | Not applicable | — |
| Equity attributable to owners of the parent | | 2,860,127 | 3,123,247 | 3,037,226 | 3,252,676 | 3,293,852 | 3,326,701 |
| Share capital | | 965,942 | 965,942 | 965,942 | 965,942 | 965,942 | 965,942 |
| Capital surplus | | 250,067 | 172,792 | 124,495 | 95,516 | 95,516 | 95,516 |
| Retained earnings | Before dividend distribution | 1,724,431 | 2,039,270 | 1,978,858 | 2,220,850 | 2,267,791 | 2,284,832 |
| | After dividend distribution | 1,656,815 | 1,846,082 | 1,862,945 | 2,066,299 | Not applicable | — |
| Other equity | | (80,313) | (54,757) | (32,069) | (29,632) | (35,397) | (19,589) |
| Treasury stock | | — | — | — | — | — | — |
| Non-controlling interests | | 152,229 | 128,625 | 119,261 | 115,519 | 93,741 | 92,766 |
| Total equity | Before dividend distribution | 3,012,356 | 3,251,872 | 3,156,487 | 3,368,195 | 3,387,593 | 3,419,467 |
| | After dividend distribution | 2,944,740 | 3,058,684 | 3,040,574 | 3,213,644 | Not applicable | — |

Note: (1) The above information has been audited and certified or reviewed by CPAs.

(2) The Company's 2023 earnings distribution proposal has not yet been resolved by the shareholders' meeting.

(II) Condensed and statement of comprehensive income:

1. IFRS - Parent Company Only

Unit: NT$ thousand

| Items \ Year | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 Q1 |
|---|---|---|---|---|---|---|
| Operating revenue | 2,442,611 | 2,068,417 | 2,492,430 | 2,283,658 | 1,572,321 | 230,731 |
| Gross profit | 411,625 | 230,399 | 417,948 | 453,198 | 244,310 | 46,783 |
| Operating income (loss) | 101,851 | (63,054) | 139,903 | 212,519 | 22,476 | (190) |
| Non-operating income and expenses | 49,600 | 408,923 | 41,826 | 227,338 | 218,511 | 17,492 |
| Net profit before tax | 151,451 | 345,869 | 181,729 | 439,857 | 240,987 | 17,302 |
| Current net profit from continued operating | 118,773 | 378,605 | 130,860 | 354,143 | 210,811 | 17,042 |
| Gain (loss) from discontinued operations | — | — | — | — | — | — |
| Current period net profit (loss) | 118,773 | 378,605 | 130,860 | 354,143 | 210,811 | 17,042 |
| Current period other comprehensive income (after-tax net amount) | (31,713) | 29,406 | 24,604 | 6,199 | (15,084) | 15,809 |
| Total comprehensive income in current period | 87,060 | 408,011 | 155,464 | 360,342 | 195,727 | 32,850 |
| Net income attributable to owners of the parent company | 118,773 | 378,605 | 130,860 | 354,143 | 210,811 | 17,042 |
| Net income attributable to non-controlling interests | — | — | — | — | — | — |
| Total comprehensive income attributable to owners of the parent company | 87,060 | 408,011 | 155,464 | 360,342 | 195,727 | 32,850 |
| Total comprehensive income attributable to non-controlling interests | — | — | — | — | — | — |
| Earnings per share | 1.23 | 3.92 | 1.35 | 3.67 | 2.18 | 0.18 |

Note: (1) The above financial information has been audited and certified by CPAs.

(2) The Consolidated Financial Report for the First Quarter of 2024 has been reviewed by CPAs.

2. IFRS - Consolidated

Unit: NT$ thousand

| Items \ Year | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 Q1 |
|---|---|---|---|---|---|---|
| Operating revenue | 3,417,949 | 3,093,583 | 3,630,956 | 3,100,517 | 2,361,917 | 362,524 |
| Gross profit | 663,667 | 482,591 | 681,860 | 663,000 | 358,913 | 67,580 |
| Operating income (loss) | 195,610 | 37,924 | 266,199 | 298,225 | 33,000 | (8,877) |
| Non-operating income and expenses | (11,992) | 517,496 | (28,399) | 161,563 | 202,099 | 23,427 |
| Net profit before tax | 183,618 | 555,420 | 237,800 | 459,788 | 235,099 | 14,550 |
| Current net profit from continued operating | 107,708 | 594,202 | 122,033 | 349,287 | 190,306 | 14,842 |
| Gain(loss) from discontinued operations | — | — | — | — | — | — |
| Current period net profit (loss) | 107,708 | 594,202 | 122,033 | 349,287 | 190,306 | 14,842 |
| Current period other comprehensive income (after-tax net amount) | (35,655) | 30,740 | 24,067 | 7,313 | (16,357) | 17,032 |
| Total comprehensive income in current period | 72,053 | 624,942 | 146,100 | 356,600 | 173,949 | 31,874 |
| Net income attributable to owners of the parent company | 118,773 | 378,605 | 130,860 | 354,143 | 210,811 | 17,041 |
| Net income attributable to non-controlling interests | (11,065) | 215,597 | (8,827) | (4,856) | (20,505) | (2,199) |
| Total comprehensive income attributable to owners of the parent company | 87,060 | 408,011 | 155,464 | 360,342 | 195,727 | 32,849 |
| Total comprehensive income attributable to non-controlling interests | (15,007) | 216,931 | (9,364) | (3,742) | (21,778) | (975) |
| Earnings per share | 1.23 | 3.92 | 1.35 | 3.67 | 2.18 | 0.18 |

Note: (1) The above information has been audited and certified or reviewed by CPAs.

(III) Names and audit opinions of the CPAs for the last five years

| Year of audit | CPA Firm | CPA's name | Audit opinion |
|---|---|---|---|
| 2019 | EnWise CPAs & Co. | Chang-Yun Yi, Yu-Song Chen | Unqualified opinion |
| 2020 | EnWise CPAs & Co. | Guei-Duan Chen, Chang-Yun Yi | Unqualified opinion |
| 2021 | EnWise CPAs & Co. | Guei-Duan Chen, Chang-Yun Yi | Unqualified opinion |
| 2022 | EnWise CPAs & Co. | Guei-Duan Chen, Chang-Yun Yi | Unqualified opinion |
| 2023 | EnWise CPAs & Co. | Guei-Duan Chen, Chang-Yun Yi | Unqualified opinion |

## II. Financial analysis for the last five years

### (I) IFRS - Parent Company Only

| Analysis item (Note 2) \ Year (Note 1) | | | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| Financial structure (%) | Debt to assets ratio | | 49.51 | 40.39 | 46.16 | 47.20 | 40.25 |
| | Ratio of long-term capital to property, plant and equipment | | 199.01 | 217.36 | 220.52 | 240.97 | 247.32 |
| Solvency (%) | Current ratio | | 102.29 | 126.06 | 120.61 | 132.10 | 145.79 |
| | Liquid ratio | | 58.63 | 81.33 | 80.57 | 95.89 | 97.45 |
| | Interest coverage ratio | | 7.52 | 22.39 | 19.85 | 23.11 | 9.40 |
| Operating ability | Turnover rate of accounts receivable (times) | | 2.38 | 2.72 | 3.17 | 2.97 | 2.57 |
| | Average days to collect receivables | | 153.36 | 134.19 | 115.14 | 122.90 | 142.02 |
| | Inventory turnover rate (times) | | 1.58 | 1.87 | 2.27 | 1.83 | 1.31 |
| | Rate of payable turnover (times) | | 3.34 | 4.44 | 3.78 | 3.19 | 3.21 |
| | Average number of days in sales. | | 231.01 | 195.19 | 160.79 | 199.45 | 278.63 |
| | Turnover rate of real estate, plants and equipment (times) | | 1.58 | 1.37 | 1.70 | 1.61 | 1.13 |
| | Turnover rate of total assets (times) | | 0.40 | 0.38 | 0.46 | 0.38 | 0.27 |
| Profitability | Return on assets (%) | | 2.23 | 7.18 | 2.55 | 6.23 | 3.98 |
| | Return on equity (%) | | 4.08 | 12.66 | 4.25 | 11.26 | 6.44 |
| | Ratio in paid-in capital (%) | Operating profit | 10.54 | (6.53) | 14.48 | 22.00 | 2.33 |
| | | Net profit before tax | 15.68 | 35.81 | 18.81 | 45.54 | 24.95 |
| | Net profit rate (%) | | 4.86 | 18.30 | 5.25 | 15.51 | 13.41 |
| | Earnings per share (NT$) | | 1.23 | 3.92 | 1.35 | 3.67 | 2.18 |
| Cash flow | Cash flow ratio (%) | | 24.56 | 46.03 | 14.68 | 7.36 | 11.30 |
| | Cash flow adequacy ratio (%) | | 100.66 | 159.23 | 74.49 | 104.50 | 142.18 |
| | Cash re-investment ratio (%) | | 12.65 | 20.08 | 3.16 | 1.56 | 2.00 |
| Leverage | Operating leverage | | 1.78 | (0.29) | 1.55 | 1.63 | 4.09 |
| | Financial leverage | | 1.30 | 0.80 | 1.07 | 1.10 | (3.61) |

Please describe the reasons for the changes in the financial ratios in the last two years. (Changes in increase or decrease below 20% may not be analyzed)

1. The decrease in interest coverage ratio and return on equity was due to fluctuations in the raw material costs and exchange rate, and reduced before-tax profit.
2. The changes in inventory turnover rate, average number of days in sales, turnover rate of property, plant and equipment and turnover rate of total assets were all due to poor prosperity and decreased operating revenue.
3. The decrease in operating profit was due to the poor prosperity, decreased operating revenue and increased raw materials costs.
4. The decrease in net profit before tax and earnings per share was due to fluctuation in exchange rate in 2023, resulting in decreased non-operating profit.
5. The increase in cash flow rate, cash flow adequacy ratio and cash re-investment ratio was due to increased net cash inflow from operating activities in 2023.
6. The decrease in the operating leverage and the financial leverage was due to poor prosperity, change in raw material costs and decreased operating profit.

Note 1: The above financial information has been audited and certified by CPAs.

Note 2: The financial analysis formula is described in Note 2 of the table below.

(II) IFRS - Consolidated

| Analysis item (Note 2) \ Year (Note 1) | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 Q1 |
|---|---|---|---|---|---|---|---|
| Financial structure (%) | Debt to assets ratio | 55.28 | 46.02 | 49.15 | 50.41 | 43.18 | 44.24 |
| | Ratio of long-term capital to property, plant and equipment | 135.38 | 171.10 | 174.20 | 188.47 | 196.89 | 210.12 |
| Solvency (%) | Current ratio | 115.39 | 138.83 | 136.60 | 140.01 | 155.93 | 158.28 |
| | Liquid ratio | 62.38 | 83.41 | 79.06 | 89.38 | 94.79 | 86.57 |
| | Interest coverage ratio | 6.53 | 25.54 | 17.47 | 18.68 | 8.18 | 2.86 |
| Operating ability | Turnover rate of accounts receivable (times) | 2.88 | 3.38 | 4.16 | 3.72 | 3.30 | 2.32 |
| | Average days to collect receivables | 126.74 | 107.99 | 87.74 | 98.12 | 110.61 | 157.33 |
| | Inventory turnover rate (times) | 1.40 | 1.72 | 2.04 | 1.54 | 1.31 | 0.72 |
| | Rate of payable turnover (times) | 3.72 | 5.01 | 4.28 | 3.45 | 3.91 | 2.35 |
| | Average number of days in sales. | 260.71 | 212.21 | 178.92 | 237.01 | 278.63 | 506.94 |
| | Turnover rate of real estate, plants and equipment (times) | 1.45 | 1.44 | 1.91 | 1.69 | 1.33 | 0.83 |
| | Turnover rate of total assets (times) | 0.47 | 0.48 | 0.59 | 0.48 | 0.37 | 0.23 |
| Profitability | Return on assets (%) | 1.85 | 9.60 | 2.18 | 5.69 | 3.40 | 1.03 |
| | Return on equity (%) | 3.70 | 19.86 | 3.96 | 11.11 | 5.81 | 1.80 |
| | Percentage of net profit before tax to the paid-in capital (%) | 19.01 | 57.50 | 24.62 | 47.60 | 24.34 | 1.51 |
| | Net profit rate (%) | 3.15 | 19.21 | 3.36 | 11.27 | 8.06 | 4.09 |
| | Earnings per share (NT$) | 1.23 | 3.92 | 1.35 | 3.67 | 2.18 | 0.18 |
| Cash flow | Cash flow ratio (%) | 24.10 | 15.50 | 16.94 | 6.75 | 16.38 | (4.99) |
| | Cash flow adequacy ratio (%) | 90.34 | 111.48 | 75.48 | 99.27 | 150.81 | 150.95 |
| | Cash re-investment ratio (%) | 14.88 | 6.14 | 5.56 | 1.72 | 5.37 | (5.53) |
| Leverage | Operating leverage | 1.66 | 4.23 | 1.44 | 1.41 | 4.48 | (2.15) |
| | Financial leverage | 1.20 | 2.48 | 1.06 | 1.10 | 137.50 | 0.53 |

Please describe the reasons for the changes in the financial ratios in the last two years. (Changes in increase or decrease below 20% may not be analyzed)

1. The decrease in interest coverage ratio and return on equity was due to the increased raw material costs, exchange rate factors, and reduced before-tax profit.
2. The decrease in turnover rate of property, plant and equipment, turnover rate of total assets and return on assets were all due to poor prosperity and decreased operating revenue.
3. The decrease in the proportion of net profit before tax to the paid-in capital, net profit rate and earnings per share was due to fluctuation in exchange rate in 2023, resulting in decreased non-operating profit.
4. The increase in cash flow rate, cash flow adequacy ratio and cash re-investment ratio was due to increased net cash inflow from operating activities in 2023.
5. The fluctuation in the operating leverage and the financial leverage was due to poor prosperity, change in raw material costs and decreased operating profit.

Note 1: The above information has been audited and certified or reviewed by CPAs.

Note 2: The financial analysis formula in this table is as follows:

1. Financial structure
   (1) The ratio of total liabilities to total assets = Total liabilities / Total assets
   (2) Ratio of long-term capital to property, plant and equipment = (Total equities + Non-current liabilities) / Property, plant and equipment.
2. Solvency
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expense) / Current liabilities.
   (3) Interest coverage ratio = Net profit before interest and tax / Interest expenses for the current period.
3. Operating ability÷
   (1) Turnover rate of the account receivable (including account receivable and notes receivable incurred as a result of business operation) = The balance of the net sales amount / Account receivable averaged in various term (Including account receivable and notes receivable incurred as a result of business operation).
   (2) Average days to collect receivables = 365 / Turnover rate of account receivable.
   (3) Inventory turnover rate = Sales cost / Averaged inventory amount.
   (4) Turnover rate of the payables (Including accounts payable and the notes payable incurred by business operation) = Sales cost / Balance of the payables averaged in various term (Including accounts payable and the notes payable incurred by business operation).
   (5) Average number of days in sales = 365 / Inventory turnover rate.
   (6) Turnover rate of real estate, plants and equipment = Net amount of sales / Averaged net amount for the real estate, plants and equipment.
   (7) Turnover rate of total assets = Net amount of sales / Total of average assets.
4. Profitability
   (1) Return on total assets = (Net Income + Interest x Expenses * (1 - Effective tax rate)) / Average total assets.
   (2) Return on shareholders' equity = After tax net profit / Total average equity.
   (3) Net profit rate = Profit or loss after tax / Net sales.
   (4) Earnings per share = (Profits or loss attributable to owners of the parent company - Preferred stock dividend) / Weighted average stock shares issued.
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio= Net cash flow from operating activities within five years / (Capital expenditure + Inventory increase + Cash dividend) within five years.
   (3) Cash re-investment ratio= (Net cash flow from operating activity - Cash dividend) / Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage
   (1) Operating leverage = (Net amount of operating revenues - Variable operating costs and expenses) / Operating profit.
   (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).

Note 3: The net cash flow from operating activities is negative and thus is not applicable.

Note 4: As for the above-mentioned formula for calculating earnings per share, special attention shall be paid to the following items upon calculation:

1. It shall be calculated based on the number of weighted average ordinary shares, instead of the number of ending outstanding shares.
2. If there is any cash increase in capital or trading of treasury shares, the number of weighted average shares shall be calculated by considering their circulation period.
3. If there is any capital transferred from surplus reserve or capital transferred from capital reserve, adjustment shall be made based on the ratio of the increase upon calculation of the earnings per share of previous year and half a year, without considering the issuance period for the capital increase.
4. Where preferred stocks are non-convertible cumulative preferred stocks, current dividends (no matter whether they are paid or not) shall be deducted from after-tax net profit or added to after-tax net loss. Where preferred stocks are of non-cumulative nature, dividends from the preferred stocks shall be deducted from after-tax net profit if there is after-tax net profit; in case of losses, no adjustment is required.

Note 5: As for analysis on cash flows, special attention shall be paid to the following items upon calculation:

1. Net cash flow from operating activities refers to net cash inflow from operating activities specified in Cash Flow Statement.
2. Capital expenditure refers to the cash outflow from capital investment in each year.
3. Inventory increase shall be included and calculated only if ending balance is more than opening balance and, in case of any decrease in ending inventories, it shall be calculated as zero.
4. Cash dividends include the cash dividends from ordinary shares and preferred shares.
5. Gross property, plant and equipment refer to the total amount of property, plant and equipment before accumulated depreciation has been deducted.

Note 6: Issuers shall classify various operating costs and expenses into fixed and variable based on their nature. If estimates or subjective judgments are involved, attention shall be paid to their reasonableness and consistency shall be maintained.

Note 7: If the Company’s shares are of no-par value or the value per share is not NT$10, and they are calculated based on the ratio of paid-in capital, then the balance sheet is calculated based on the ratio of equity attributable to owners of the parent company.

III. Audit Report of Audit Committee on Financial Statements of the Latest Year

# AWEA Mechantronic Co., Ltd.
# Audit Committee's Audit Report

The Business Report, Financial Statements, Proposal for Earnings Distribution and such papers for Year 2023 of the Company have been duly worked out by the Board of Directors. Among the papers, the Financial Statements has been duly audited and verified by Certified Public Accountants Guei-Duan Chen and Chang-Yun Yi of EnWise CPAs & Co. as appointed by the Board of Directors, and the CPA firm has also duly issued the Audit Report. Upon audit by the Audit Committee, it was deemed that the above Business Report, Financial Statements, Proposal for Earnings Distribution were in compliance with relevant laws and regulations of the Company Act, the report above was made in accordance with the provisions of Article 219 of the Company Act.

It is hereby submitted for examination and approval.

AWEA Mechantronic Co., Ltd.
Audit Committee Convener

Li-Ying Luo

March 6, 2024

IV. Financial Reports for the latest year

(I) 2023 Parent Company Only Financial Statements

## Independent Auditors' Report

To AWEA Mechantronic Co., Ltd.:

**Audit Opinion**

We have audited the accompanying parent company only balance sheets of AWEA Mechantronic Co., Ltd., as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of AWEA Mechantronic Co., Ltd. as of December 31, 2023 and 2022 and for the years then ended, and its individual financial performance and its individual cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers based on our audit results and the audit reports of other certified public accountants (CPAs) (refer to the section of "Other matters").

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only 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 Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit 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 for the year ended December 31, 2023 of AWEA Mechantronic Co., Ltd. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's individual financial statements for the year ended December 31, 2023 are stated as follows:

Revenue recognition

The main source of revenue for AWEA Mechantronic Co., Ltd. is the sales of machining centers. In 2023, the recognized revenue was NT$1,301,851 thousand, which accounted for about 83% of the total operating revenue. Since the sales locations include Taiwan, Mainland China, Italy and the United States, the sales terms vary by customers, the risks of ownership and the time of compensation transfer shall be determined in accordance with the terms of the customer's orders or contracts, and the time and amount of revenue recognition can have a significant impact on the financial statements. Therefore, we have identified revenue recognition as one of the key audit matters.

For the accounting policies related to revenue recognition, please refer to Note IV to the parent company only financial statements.

We evaluated the reasonableness of the sales revenue recognition, performed the cut-off point test, and performed internal control tests to understand the design and implementation of the sales revenue recognition process and the related control system of AWEA Mechantronic Co., Ltd. In addition, we conducted related control tests on the sales and collection cycles, sampled and checked the sales contracts to confirm the correctness of the information in the accounting system, performed reconciliations between the general ledger system and the sales system, and assessed whether the time of revenue recognition was in accordance with the relevant reporting regulations.

Evaluation of inventories

AWEA Mechantronic Co., Ltd. mainly engages in the design, manufacture and sales of special machines, automation equipment and computer-controlled tool machines. As of December 31, 2023, the total inventories, allowance for market value decline and loss on obsolete and slow-moving inventories were NT$1,365,995 thousand and NT$356,980 thousand, respectively.

Inventories of AWEA Mechantronic Co., Ltd. are measured at cost and net realizable value. Allowance for market value decline and loss on obsolete and slow-moving inventories are allocated for inventories aged over a certain period of time or individually identified as obsolete. Due to the intense competition in the spare parts market and the varying speeds of obsolescence of different products, the risks of loss on decline in the market value or obsolete inventories are relatively high. The net realizable values used for obsolete inventories and their evaluation usually involve subjective judgment and are therefore highly uncertain. Considering the significant impact of inventories and their allowance for market value decline and loss on obsolete and slow-moving inventories on financial statements, we have identified allowance for market value decline and loss on obsolete and slow-moving inventories as one of the key audit matters.

For the accounting policies related to inventories, please refer to Note IV to the parent company only financial statements; for significant accounting estimates and assumptions used in the evaluation of inventories, please refer to Note V to the parent company only financial statements.

We understood, evaluated, and tested the design and implementation of the internal control system related to inventory management, obtained the evaluation data on the lower of cost or net realizable value of inventories compiled by management authority, sampled and estimated the selling price information to the most recent sales records, and assessed the basis of management authority's estimate of net realizable value and its reasonableness; obtained an inventory aging statement, and assessed the appropriateness of the policy on provision for allowance for market value decline and loss on obsolete and slow-moving inventories.

**Other Matters - References to the Audits of Other CPAs**

In the above parent company only financial statements, the financial statements of YAMA SEIKI USA, INC. and Huahan Leasing Co., Ltd., which are investments accounted for using equity method, were not audited by us, but were audited by other CPAs entrusted by the Company. For the years ended December 31, 2023 and 2022, the balances of investments accounted for using equity method were NT$116,713 thousand and NT$109,850 thousand, respectively, which both accounted for 2% of the Company's total assets. For the years ended December 31, 2023 and 2022, the share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method were NT$7,178 thousand and NT$7,782 thousand, respectively, which accounted for 3% and 2% of the Company's net profit before tax, respectively.

**Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing AWEA Mechantronic Co., Ltd.'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 AWEA Mechantronic Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the AWEA Mechantronic Co., Ltd.'s financial reporting process.

**Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from fraud or error. Misstatements 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 parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

I. Identify and assess the risks of material misstatement of the parent company only 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. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.

II. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AWEA Mechantronic Co., Ltd.'s internal control.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.

IV. 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 AWEA Mechantronic Co., Ltd.'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 parent company only 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 AWEA Mechantronic Co., Ltd. to cease to continue as a going concern.

V. Evaluate the overall presentation, structure and content of the parent company only financial statements, including relevant notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient appropriate audit evidence regarding the financial information of the investee company accounted for using equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit of such investee company. We remain solely responsible for our audit opinion on the parent company only financial statements.

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 parent company only financial statements of AWEA Mechantronic Co., Ltd. for the year ended December 31, 2023 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.

EnWise CPAs & Co.

| | |
|---|---|
| CPA Guei-Duan Chen | CPA Chang-Yun Yi |
| Approval number of the Securities and Futures Management Committee, Ministry of Finance<br>(1990) Tai-Cai-Zheng (I) No. 27495 | Approval number of the Securities and Futures Management Committee, Ministry of Finance<br>(2003) Tai-Cai-Zheng (VI) No. 121986 |

March 5, 2024

*Notice to Readers*

*The accompanying parent company only financial statements are intended only to present the parent company only 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 audit such company only financial statements are those generally applied in the Republic of China.*
*For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese- language independent auditors' report and parent company only financial statements shall prevail.*

AWEA Mechantronic Co., Ltd.

Parent Company Only Balance Sheets

December 31, 2023 and 2022

Unit: NT$ thousand

| Code | Items | Notes | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amount | % | | Amount | % |
| | Current assets | | | | | | | |
| 1100 | Cash and cash equivalents | IV and VI | $ | 618,201 | 11 | $ | 979,024 | 16 |
| 1110 | Financial assets at FVTPL - current | IV and VI | | 536,929 | 10 | | 377,002 | 6 |
| 1150 | Notes receivable, net | IV and VI | | 51,118 | 1 | | 254,096 | 4 |
| 1160 | Notes receivable due from related parties, net | IV and VII | | 858 | - | | 1,060 | - |
| 1170 | Accounts receivable, net | IV and VI | | 304,590 | 6 | | 419,852 | 7 |
| 1180 | Account receivables due from related parties, net | IV and VII | | 121,722 | 2 | | 68,917 | 1 |
| 1200 | Other receivables | | | 9,660 | - | | 10,629 | - |
| 1210 | Other receivables - related parties | VII | | 61,626 | 1 | | 70,042 | 1 |
| 1220 | Current tax assets | IV | | - | - | | - | - |
| 130X | Inventories | IV and VI | | 1,009,015 | 19 | | 1,021,279 | 17 |
| 1410 | Prepayments | VII | | 7,398 | - | | 6,734 | - |
| 1470 | Other current assets | VIII | | 344,421 | 6 | | 541,959 | 9 |
| 11XX | Total current assets | | | 3,065,538 | 56 | | 3,750,594 | 61 |
| | Non-current assets | | | | | | | |
| 1517 | Financial assets at FVOCI - non-current | IV and VI | | 1,991 | - | | 10,458 | - |
| 1535 | Financial assets measured at amortized cost - non-current | IV, VI and VIII | | 10,137 | - | | - | - |
| 1550 | Investments accounted for using equity method | IV and VI | | 952,269 | 17 | | 1,002,016 | 16 |
| 1600 | Property, plant and equipment | IV, VI, VII and VIII | | 1,378,679 | 25 | | 1,395,401 | 22 |
| 1755 | Right-of-use assets | IV and VI | | 910 | - | | 12,276 | - |
| 1780 | Intangible assets | IV and VI | | 5,813 | - | | 6,794 | - |
| 1840 | Deferred tax assets | IV and VI | | 84,620 | 2 | | 54,214 | 1 |
| 1915 | Prepayments for equipment | | | 3,200 | - | | 300 | - |
| 1920 | Guarantee deposits paid | | | 1,838 | - | | 3,914 | - |
| 1931 | Long-term notes receivable, net | IV | | 7,413 | - | | 12,115 | - |
| 1937 | Overdue receivables | IV and VI | | - | - | | - | - |
| 15XX | Total non-current assets | | | 2,446,870 | 44 | | 2,497,488 | 39 |
| 1XXX | Total assets | | $ | 5,512,408 | 100 | $ | 6,248,082 | 100 |

Please refer to the accompanying notes to the financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2023 and 2022

Unit: NT$ thousand

| Code | Items | Notes | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|---|---|
| | Current liabilities | | | | | |
| 2100 | Short-term borrowings | VI and VIII | $ 1,465,000 | 27 | $ 1,880,000 | 30 |
| 2110 | Short-term notes and bills payable | VI | 79,987 | 1 | 289,641 | 5 |
| 2130 | Current contract liabilities | IV and VI | 57,348 | 1 | 73,324 | 1 |
| 2150 | Notes payable | | 261,961 | 5 | 393,505 | 6 |
| 2160 | Notes payable - related parties | VII | 2,387 | - | 11,770 | - |
| 2170 | Accounts payable | | 83,494 | 2 | 72,828 | 1 |
| 2180 | Accounts payable - related parties | VII | 1,559 | - | 1,489 | - |
| 2200 | Other payables | VI | 86,952 | 2 | 89,106 | 1 |
| 2220 | Other payables - related parties | VII | 1,209 | - | 1,677 | - |
| 2230 | Current tax liabilities | IV | 49,866 | 1 | 47,627 | 1 |
| 2250 | Current provisions | IV and VI | 11,032 | - | 11,055 | - |
| 2280 | Current lease liabilities | IV, VI and VII | 638 | - | 11,420 | - |
| 2310 | Advance receipts | VII | 190 | - | 42 | - |
| 2399 | Other current liabilities | | 1,075 | - | 2,070 | - |
| 21XX | Total current liabilities | | 2,102,698 | 39 | 2,885,554 | 45 |
| | Non-current liabilities | | | | | |
| 2570 | Deferred income tax liabilities | IV and VI | 108,177 | 2 | 99,315 | 2 |
| 2580 | Non-current lease liabilities | IV, VI and VII | 280 | - | 918 | - |
| 2640 | Net defined benefit liability - non-current | IV and VI | 6,973 | - | 8,991 | - |
| 2645 | Guarantee deposits received | | 428 | - | 628 | - |
| 25XX | Total non-current liabilities | | 115,858 | 2 | 109,852 | 2 |
| 2XXX | Total Liabilities | | 2,218,556 | 41 | 2,995,406 | 47 |
| | Equity attributable to owners of the parent | | | | | |
| 3100 | Share capital | VI | | | | |
| 3110 | Common stock | | 965,942 | 18 | 965,942 | 15 |
| 3200 | Capital surplus | VI | | | | |
| 3211 | Capital surplus - additional paid-in capital arising from ordinary share | | 6,124 | - | 6,124 | - |
| 3213 | Capital surplus - Conversion premium of convertible bonds | | 57,468 | 1 | 57,468 | 1 |
| 3240 | Capital surplus - Gains from disposal of assets | | 4 | - | 4 | - |
| 3280 | Capital surplus - others | | 31,920 | 1 | 31,920 | 1 |
| 3300 | Retained earnings | VI | | | | |
| 3310 | Legal reserve | | 562,966 | 10 | 527,176 | 8 |
| 3320 | Special reserve | | 98,077 | 2 | 98,077 | 2 |
| 3350 | Unappropriated earnings | | 1,606,748 | 28 | 1,595,597 | 26 |
| 3400 | Other equity | VI | | | | |
| 3410 | Exchange difference on translation of financial statements of foreign operations | | (32,016) | (1) | (18,699) | - |
| 3420 | Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income | | (3,381) | - | (10,933) | - |
| 3XXX | Total equity | | 3,293,852 | 59 | 3,252,676 | 53 |
| | Total liability and equity | | $ 5,512,408 | 100 | $ 6,248,082 | 100 |

Please refer to the accompanying notes to the financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd.

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand, except earnings per share

| Code | Items | Notes | 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | VI and VII | $ 1,572,321 | 100 | $ 2,283,658 | 100 |
| 5000 | Operating costs | VI and VII | (1,331,564) | (85) | (1,825,556) | (80) |
| 5900 | Gross profit | | 240,757 | 15 | 458,102 | 20 |
| 5920 | Realized (Unealized) gain from sale | | 3,553 | - | (4,904) | - |
| 5950 | Gross profit, net | | 244,310 | 15 | 453,198 | 20 |
| | Operating expenses | VII | | | | |
| 6100 | Selling and marketing expenses | | (125,086) | (8) | (145,146) | (6) |
| 6200 | General and administrative expenses | | (50,884) | (3) | (49,140) | (2) |
| 6300 | Research and development expenses | | (53,729) | (3) | (61,294) | (3) |
| 6450 | Expected credit impairment gains (losses) | | 7,865 | 1 | 14,901 | 1 |
| 6000 | Total operating expenses | | (221,834) | (13) | (240,679) | (10) |
| 6900 | Operating profit (loss) | | 22,476 | 2 | 212,519 | 10 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 30,000 | 2 | 16,006 | 1 |
| 7010 | Other income | VI and VII | 50,951 | 3 | 31,373 | 1 |
| 7020 | Other gains and losses | VI and VII | 132,191 | 8 | 104,081 | 5 |
| 7050 | Finance costs | VI | (28,704) | (2) | (19,897) | (1) |
| 7070 | Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | | 34,073 | 2 | 95,775 | 4 |
| 7000 | Total non-operating income and expenses | | 218,511 | 13 | 227,338 | 10 |
| 7900 | Net profit before tax | | 240,987 | 15 | 439,857 | 20 |
| 7950 | Income tax income (expense) | IV and VI | (30,176) | (2) | (85,714) | (4) |
| 8200 | Profit for the year | | 210,811 | 13 | 354,143 | 16 |
| | Other comprehensive income | | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurement of defined benefit plan | | (351) | - | 3,296 | - |
| 8316 | Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income | | (1,486) | - | (13,848) | (1) |
| 8349 | Income taxes related to the items not reclassified | | 70 | - | (659) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8361 | Exchange difference on translation of financial statements of foreign operations | | (16,647) | (1) | 21,763 | 1 |
| 8399 | Income tax related to items that may be reclassified | | 3,330 | - | (4,353) | - |
| 8300 | Other comprehensive (loss) income for the year | | (15,084) | (1) | 6,199 | - |
| 8500 | Total comprehensive income | | $ 195,727 | 12 | $ 360,342 | 16 |
| | Earnings per share | | | | | |
| 9750 | Basic earnings per share | | $ 2.18 | | $ 3.67 | |
| 9850 | Diluted earnings per share | | $ 2.17 | | $ 3.65 | |

Please refer to the accompanying notes to the financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd.

Parent Company Only Statement of Changes in Equity

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand

| Items | Share capital | | Retained earnings | | | Other equity items | | |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange difference on translation of financial statements of foreign operations | Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income | Total equity |
| Balance at January 1, 2022 | $ 965,942 | $ 124,495 | $ 513,898 | $ 98,077 | $ 1,366,883 | $ (36,109) | $ 4,040 | $ 3,037,226 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve | - | - | 13,278 | - | (13,278) | - | - | - |
| Special reserve | - | - | - | - | - | - | - | - |
| Cash dividends of common stock | - | - | - | - | (115,913) | - | - | (115,913) |
| Cash dividends of shares from capital surplus | - | (28,979) | - | - | - | - | - | (28,979) |
| 2022 Net profit | - | - | - | - | 354,143 | - | - | 354,143 |
| Other comprehensive income for 2022 | - | - | - | - | 2,637 | 17,410 | (13,848) | 6,199 |
| Total comprehensive income of 2022 | - | - | - | - | 356,780 | 17,410 | (13,848) | 360,342 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | 1,125 | - | (1,125) | - |
| Balance at December 31, 2022 | 965,942 | 95,516 | 527,176 | 98,077 | 1,595,597 | (18,699) | (10,933) | 3,252,676 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve | - | - | 35,790 | - | (35,790) | - | - | - |
| Special reserve | - | - | - | - | - | - | - | - |
| Cash dividends of common stock | - | - | - | - | (154,551) | - | - | (154,551) |
| Cash dividends of shares from capital surplus | - | - | - | - | - | - | - | - |
| 2023 Net profit | - | - | - | - | 210,811 | - | - | 210,811 |
| Other comprehensive income for 2023 | - | - | - | - | (281) | (13,317) | (1,486) | (15,084) |
| Total comprehensive income of 2023 | - | - | - | - | 210,530 | (13,317) | (1,486) | 195,727 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | (9,038) | - | 9,038 | - |
| Balance at December 31, 2023 | $ 965,942 | $ 95,516 | $ 562,966 | $ 98,077 | $ 1,606,748 | $ (32,016) | $ (3,381) | $ 3,293,852 |

Please refer to the accompanying notes to the financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd.

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Net profit before tax | $ 240,987 | $ 439,857 |
| Adjustments | | |
| Depreciation | 71,296 | 72,373 |
| Amortisation | 1,741 | 1,915 |
| Expected credit impairment gains | (7,865) | (14,901) |
| Interest expense | 28,704 | 19,897 |
| Interest income | (30,000) | (16,006) |
| Dividend revenue | (23,308) | (18,114) |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | (34,073) | (95,775) |
| (Gains) losses from evaluation of financial assets | (123,694) | 11,149 |
| Gain (loss) on disposal or retirement of property, plant and equipment | (343) | 241 |
| Lease modification benefit | - | (283) |
| Gains on disposals of investments | (2,841) | (2,095) |
| Unrealized (Realized) gain from sale | (3,553) | 4,904 |
| Changes in operating assets and liabilities | | |
| Notes receivable | 200,603 | (84,082) |
| Notes receivable - related parties | 202 | 14,137 |
| Account receivables | 116,040 | 87,423 |
| Account receivables - related parties | (52,805) | 50,580 |
| Other receivables | 236 | 2,707 |
| Other receivables - related parties | (1,584) | 236 |
| Inventories | 12,264 | (43,522) |
| Prepayments | (664) | 2,948 |
| Other current assets | 182 | (254) |
| Overdue receivables | 8,784 | (6,784) |
| Long-term notes receivable | 5,380 | 19,191 |
| Current contract liabilities | (15,975) | (24,428) |
| Notes payable | (131,544) | (108,528) |
| Notes payable - related parties | (9,383) | (1,509) |
| Accounts payable | 10,666 | (70,680) |
| Accounts payable - related parties | 70 | (4,261) |
| Other payables | (2,419) | (19,636) |
| Other payables - related parties | (468) | (173) |
| Provisions | (23) | (185) |
| Advance receipts | 148 | 31 |
| Other current liabilities | (995) | 846 |
| Net defined benefit liability | (2,369) | (507) |
| Cash generated from operations | 253,397 | 216,712 |
| Interest received | 30,733 | 12,091 |
| Income tax paid | (46,558) | (19,885) |
| Net cash generated by operating activities | 237,572 | 208,918 |

(Continued)

AWEA Mechantronic Co., Ltd.

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand

| | 2023 | 2022 |
|---|---|---|
| (Continued from previous page) | | |
| Cash flows from investing activities | | |
| Acquisitions of financial assets at fair value through profit or loss | (49,014) | (236,175) |
| Disposal price of financial assets at fair value through profit or loss | 15,622 | 22,536 |
| Acquisitions of financial assets at fair value through other comprehensive income | - | (11,268) |
| Disposal price of financial assets at fair value through other comprehensive income | 6,981 | 3,790 |
| Acquisition of financial assets measured at amortized cost | (10,137) | - |
| Acquisition of property, plant and equipment | (44,082) | (20,297) |
| Proceeds from disposal of property, plant and equipment | 343 | 2,272 |
| Decrease in guarantee deposits paid | 2,076 | 223 |
| Decrease (Increase) in other receivables - related parties | 10,000 | (5,000) |
| Acquisitions of intangible assets | (760) | (800) |
| Decrease (Increase) in other financial assets | 197,356 | (223,962) |
| Decrease (Increase) in prepayments for equipment | (2,900) | 3,664 |
| Dividends received | 94,511 | 165,665 |
| Net cash inflow (outflow) from investing activities | 219,996 | (299,352) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings | (415,000) | 590,000 |
| Increase (Decrease) in short-term notes and bills payable | (209,654) | 29,734 |
| Decrease in long-term borrowings | - | (2,206) |
| Decrease in guarantee deposits received | (200) | (2,013) |
| Repayment of principal of lease liabilities | (11,420) | (11,410) |
| Cash dividends paid | (154,551) | (144,890) |
| Interest paid | (27,566) | (19,727) |
| Net cash inflow (outflow) from financing activities | (818,391) | 439,488 |
| Net increase (decrease) in cash and cash equivalents | (360,823) | 349,054 |
| Cash and cash equivalents at the beginning of year | 979,024 | 629,970 |
| Cash and cash equivalents at the end of year | $ 618,201 | $ 979,024 |

Please refer to the accompanying notes to the financial statements.

Chairman: De-Hua Yang      Managerial officer: Shang-Ru Yang      Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd.

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand (unless stated otherwise)

I. History and Organization

AWEA Mechantronic Co., Ltd. (hereinafter referred to as the Company) was established on July 16, 1986. The design, manufacture and sales of special machines, automation equipment and computer-controlled tool machines are its main business.

The shares of the Company was approved of listing by Document Tai-Zheng-(2000)-Shang-Zi No. 025773 on September 6, 2000, and began to be listed for trading on TWSE Stock Exchange Market since September 11, 2000.

II. Approval Date and Procedures of the Financial Statements

The parent company only financial statements were approved by the board of directors and authorized for issue on March 5, 2024.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRS") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except as stated below, the application of the amendments to the IFRS endorsed and issued into effect by the FSC does not have a significant effect on the Company's accounting policies:

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

The amendment introduces an exception to IAS 12 that specifies that the Company shall not recognize deferred income tax assets and liabilities for Pillar Two income taxes and shall not disclose information about such deferred income taxes, but shall disclose that it has applied this exception and shall disclose current income tax expense (income) related to Pillar Two income taxes separately. In addition, if the Pillar Two Act has been enacted or substantively enacted but has not yet come into force, the Company shall disclose its qualitative and quantitative information known or reasonably estimated to be exposed to the Pillar Two income tax for the users to know the situation. After the issuance of this amendment, the Company shall immediately and retroactively apply this exception and disclose the fact that it has been applied; the other disclosure requirements apply to annual reporting periods after January 1, 2023, and do not apply to interim financial statements with the end date of interim period before December 31, 2023.

(II) IFRSs issued by the International Accounting Standards Board (IASB) that have been endorsed by the FSC and will come into effect in 2024:

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendment to IFRS 16 “Lease Liabilities in Sale and Leasebacks” | January 1, 2024 (Note 2) |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements” | January 1, 2024 (Note 3) |

Note 1: Unless stated otherwise, the above new/revised/amended standards or interpretations are effective for annual reporting periods beginning on their respective effective dates.

Note 2: A seller-lessee applies the amendments retrospectively to IFRS 16 to sale and leaseback transactions entered into after the date of initial application.

Note 3: When the amendments apply for the first time, some requirements for disclosure are exempted.

As of the date the financial statements were authorized, the Company is making continuous assessment and concludes that the amendments of other standards and interpretations will have no significant impact on the financial position and financial performance.

(III) IFRS issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

Note 1: Unless stated otherwise, the above new/revised/amended standards or interpretations are effective for annual reporting periods beginning on their respective effective dates.

Note 2: This amendment applies for annual reporting periods beginning after January 1, 2025. At the initial application of the amendment, the number of influences is recognized in the retained reserve at the date of initial application. When the Company adopts a non-functional currency as the presentation currency, the effects will be reclassified as the exchange differences arising from the translation of the financial statements of foreign operations under equity on the initial application date.

As of the date the financial statements were authorized, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Polices

The summary of significant accounting policies applied in the preparation of the parent company only financial statements are set out below. The following accounting policies have been consistently applied to all periods presented in the parent company only financial statements, except as described in Notes III and IV regarding accounting changes.

(I) Statement of compliance

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC.

(II) Basis of preparation

Except for the following significant items of balance sheet, this parent company only financial statement has been prepared at historical cost:

1. Financial assets measured at fair value through profit or loss;
2. Financial assets measured at fair value through other comprehensive income;
3. The net defined benefit liability is the fair value of pension fund assets less the present value of defined benefit obligations.

In preparing the parent company only financial statements, the equity method is adopted to the investments in subsidiaries and associates. For the purpose of making the current profit and loss, other comprehensive income and equity in this parent company only financial statement identical to those in the Company's owner in the consolidated financial statements, several accounting treatment differences under individual and consolidated basis are adjusted into "Investments Accounted for Using Equity Method", "Share of the Profit or Loss of Subsidiaries and Associates Accounted for Using the Equity Method", and "Share of Other Comprehensive Income of Subsidiaries and Associates Accounted for Using Equity Method".

(III) Functional currency and presentation currency

The Company uses the currency of the primary economic environment in which the entity operates as the functional currency. The parent company only financial statements are presented in New Taiwan dollars, the Company's functional currency. All financial information presented in New Taiwan dollars are in thousands of New Taiwan dollars.

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

1. Assets that meet one of the following criteria are classified as current assets. All assets that are not classified as current assets are classified as non-current assets:
   (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal business cycle;

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months after the reporting period; or

(4) The asset is cash and cash equivalents, excluding restricted assets and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

2. Liabilities that meet one of the following criteria are classified as current liabilities. All liabilities that are not classified as current liabilities are classified as non-current liabilities:

(1) Liabilities that are expected to be settled within the normal business cycle;

(2) Liabilities held mainly for trading activities.

(3) Liabilities that are expected to be due for settlement within twelve months after the reporting period; or

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(V) Foreign currency transactions

When preparing the parent company only financial statements, traders in currencies other than the Company's functional currency (foreign currency) are recognized by translation to the functional currency based on the exchange rate of the transaction day. At the end of the reporting period, monetary items denominated in foreign currencies are translated into the functional currency based on the exchange rate of the transaction day; non-monetary items denominated in foreign currencies and measured at fair value are translated into the functional currency based on the exchange rate on the day of the fair value measurement; non-monetary items denominated in foreign currencies and measured at historical cost are translated into the functional currency based on the exchange rate of the transaction day. The exchange differences arising from translation are recognized in profit or loss in the period in which they arise.

For purpose of preparing the parent company only financial statements, the assets and liabilities of foreign operations of the Company shall be translated to NTD by the exchange rate on ending date of the reporting period; the income and expense items shall be translated to NTD at the average exchange rate of the current period, and the resulting exchange difference shall be recognized as other comprehensive profit or loss and accumulated as the translation difference in the financial statements of foreign operations under equity.

(VI) <u>Cash and cash equivalents</u>

Cash includes cash on hand and current deposits. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(VII) <u>Financial instruments</u>

Accounts receivable are initially recognized when they are incurred. All other financial assets and liabilities shall be recognized initially when the Company becomes a party to the contractual provisions of the financial instruments. Financial assets (other than accounts receivable that do not contain significant financial components) or financial liabilities not measured at fair value through profit or loss shall be initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components shall be initially measured at transaction price.

1. Financial assets

At initial recognition, financial assets shall be classified as financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company reclassifies all affected financial assets from the first day of the next reporting period only when there is a change in the business model for financial assets management.

(1) Financial assets measured at amortized cost

Financial assets are measured at amortized cost when they meet all of the following criteria and are not designated as at fair value through profit or loss:

A. The financial assets are held under the business model with the purpose of collecting contractual cash flows.

B. The contract terms of the financial assets generate cash flow on a specific date, and such cash flow is solely for the payment of the principle and the interest on outstanding principle amount.

Such assets are subsequently measured at amortized cost based on the initially recognized amount plus or minus accumulated amortization calculated using the effective interest method, adjusted for any loss allowance. Interest income, foreign currency exchange gains and losses, and impairment losses are recognized in profit or loss. Gains or losses are recognized in profit or loss at derecognition.

(2) Financial assets at FVTPL

Financial assets not classified as financial assets at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. The Company may irrevocably designate financial assets that qualify as financial assets at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss at the time of initial recognition in order to eliminate or materially reduce accounting mismatch. Such assets shall be measured at fair value subsequently, and their net gains or losses shall be recognized in profit or loss.

(3) Financial assets at FVTOCI

At initial recognition, the Company has made an irrevocable election to recognize subsequent changes in the fair value of equity instruments not held for trading in other comprehensive income. The above election is made on an instrument-by-instrument basis.

Investments in debt instruments are subsequently measured at fair value. Interest income, foreign currency exchange gains and losses, and impairment losses calculated using the effective interest method are recognized in profit or loss, and the remaining net gains or losses are recognized in other comprehensive income. Upon derecognition, the cumulative amount in other comprehensive income shall be reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (unless it obviously represents the recovery of a portion of cost of investment) is recognized in profit or loss. The remaining net gains or losses are recognized in other comprehensive income and are not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date when the Company has the right to receive the dividend (usually the ex-dividend date).

(4) Impairment of financial assets

The Company recognizes loss allowance for expected credit losses on the financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

The loss allowance is measured at 12-month expected credit losses for the following financial assets, and at the lifetime expected credit losses of the other financial assets:

A. The credit risk of debt securities is determined to be low at the reporting date; and

B. The credit risks of other debt securities and bank deposits (i.e., the risk of default on financial instruments over the expected life) have not increased significantly since the initial recognition.

The loss allowances for accounts receivable and contract assets are measured at the amount of lifetime expected credit losses.

When determining whether the credit risk has increased significantly since the initial recognition, the Company has considered reasonable and provable information (which can be obtained without undue costs or inputs), including qualitative and quantitative information, and analyses based on the Company's historical experience, credit assessment and forward-looking information.

Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

The 12-month expected credit losses are expected credit losses that result from possible default events within 12 months after the reporting date (or for shorter periods, if the expected life of the financial instrument is less than 12 months). The maximum period for which expected credit losses are measured is the maximum contract period over which the Company is exposed to credit risk.

Expected credit losses are weighted estimates of the probability of credit losses over the expected life of the financial instruments. Credit losses are measured at the present value of all cash shortfalls, which is the difference between the cash flows that the Company could receive under the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

On each reporting date, the Company evaluates whether credit impairment occurs to the financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. Credit impairment occurs to a financial asset when one or more events that have an adverse effect on the estimated future cash flows of the financial asset. Evidence proving that credit impairment occurs to a financial asset includes observable information about the following events:

A. Significant financial difficulty of the borrower or issuer;
B. Defaults, such as delay or overdue for more than 90 days;
C. The Company has made concessions to the borrower that the Company would not consider otherwise for economic or contractual reasons related to the borrower’s financial difficulties;
D. The borrower is very likely to apply for bankruptcy or carry out other financial reorganization; or
E. The active market for the financial assets has disappeared due to financial difficulties.

The loss allowance for financial assets at amortized cost is deducted from the carrying amount of the assets. The loss allowance for investments in debt instruments at fair value through other comprehensive income are recognized in other comprehensive income (without reducing the carrying amount of the asset), and the provision or reversal amount of loss allowance is recognized in profit or loss.

When the Company does not have a reasonable expectation of recovering all or part of a financial asset, the total carrying amount of the financial asset is reduced directly. The Company analyzes the timing and amount of offset on a case-by-case basis to determine whether there is a reasonable expectation of recovery. The Company expects that the offset amount will not be reversed significantly. However, the offset financial assets are still enforceable in order to comply with the Company's procedures for recovering overdue amounts.

(5) Derecognition of financial assets

A financial assets will be derecognized only when the Company's contractual rights to the cash flows from that asset are terminated, or when the financial asset is transferred and substantially all the risks and returns of ownership to that asset have been transferred to another entity, or when substantially all the risks and returns of ownership are neither transferred nor retained, and the Company does not retain control over that financial asset.

If the Company enters into a transaction to transfer a financial asset and retains all or substantially all of the risks and returns of ownership to the transferred asset, the financial asset will continue to be recognized on the balance sheet.

(VIII) Financial liabilities and equity instruments

1. Classification of liabilities and equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

2. Equity instruments

Equity instrument refers to any contract that recognizes the remaining interest of the Company after reducing all its liabilities from its assets. Equity instruments issued by the Company are recognized at the proceeds received, net of the cost of direct issue.

3. Financial liabilities

Financial liabilities that are not held for trading and are not designated as at fair value through profit or loss (including notes payable, accounts payable and other payables) are measured at fair value plus directly attributable transaction costs at initial recognition; subsequently, they are measured at amortized cost using the effective interest rate method, and interest expenses not capitalized in the asset cost are included in non-operating income and expenses.

4. Derecognition of financial liabilities

   A financial liability is derecognized by the Consolidated Company when the contractual obligation is either discharged or canceled or expires.

   The difference between the carrying amount of the financial liability derecognized and the total consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and included in non-operating income and expenses.

5. Mutual offset of financial assets and liabilities

   Financial assets and financial liabilities are offset and recognized in the balance sheet on a net basis only when the Consolidated Company has the legal right to do so and has the intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(IX) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are stated at standard cost at ordinary times, and are adjusted to approximate weighted average cost at the end of the reporting period. Net realizable value is calculated as the estimated selling price less the costs to be incurred until completion and the selling expenses.

(X) Investments accounted for using equity method

Investments accounted for using equity method include subsidiaries, associates and joint ventures.

Associates are companies over which the Company exercises significant influence, but not subsidiaries or joint ventures. Significant influence refers to the power to participate in the investee's financial and operating policy decisions, but not the power to control or jointly control such policy decisions.

In joint ventures, the Company and another entity engage in economic activities under joint control through a contractual agreement, meaning that strategic financial and operating decisions related to the joint venture must be made with the consensus of those sharing control. If another entity is created under a joint venture agreement in which each of the joint venture controllers has an interest, that entity is a jointly controlled entity.

The business results and assets and liabilities of associates and joint ventures are included in the financial statements under the equity method, except for the assets classified as held for sale. Under the equity method, investments in associates and joint ventures are initially recognized at cost on the balance sheet and subsequently adjusted for changes in the Company's share of the investee's net assets. When the Company's share of losses in an associate or joint venture exceeds its interest in that associate, an additional loss is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the associate and the joint venture at the date of acquisition is recognized as goodwill and is included in the carrying amount of the investment. The excess of the Company's share of the net fair value of the identifiable assets and liabilities of its associates and joint ventures over the acquisition cost at the date of acquisition is recognized as a gain immediately upon reassessment.

In assessing impairment, the Company considers the entire carrying amount of the investment (including goodwill) as a single asset and compares the recoverable amount (higher of value in use or fair value less selling cost) with the carrying amount to test for impairment, and the impairment loss recognized is included in the carrying amount of the investment. Any reversal of the impairment loss is recognized to the extent of the subsequent increase in the recoverable amount of the investment.

If the Company fails to subscribe for new shares issued by an associate or a joint venture in proportion to its shareholding ratio, resulting in a change in shareholding ratio and a consequent increase or decrease in the net equity value of an investment, the increase or decrease is adjusted to capital surplus and investments accounted for using the equity method. However, if the ownership interest in an associate decreases because the Company does not subscribe for or acquire new shares in proportion to its shareholding ratio, the amount recognized in other comprehensive income related to the associate is reclassified on a pro rata basis to reflect the decrease in ownership interest, which is accounted for on the same basis as that used for the disposal of assets or liabilities by the associate directly.

(XI) Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost and presented at cost less accumulated depreciation and accumulated impairment. The cost of property, plant and equipment consists of expenditures that are directly attributable to the acquisition or construction of the assets, any other directly attributable costs that are necessary to bring the asset to a useable condition for its intended purpose, and dismantling, relocation and site restoration costs. The foregoing costs include the cost for replacing part of the plant and equipment and the necessary interest expense incurred on construction contracts.

Real estate under construction is presented at cost less all recognized impairment losses. (Cost includes professional service expenses). Such real estate is classified to the appropriate category of property, plant and equipment when completed and reaching the expected use state. Such assets are depreciated on the same basis as other real estate assets, which commences when the assets reach the expected use state.

Self-owned land is not depreciated.

When a major item of property, plant and equipment is required to be replaced on a regular basis, the Company considers that item as an individual asset and recognizes depreciation according to specified useful life and depreciation method. Major maintenance costs are considered as replacement costs and recognized as part of the carrying amount of property, plant and equipment if the conditions for recognition are met. Other maintenance expenses are recognized in profit or loss. The present value of the expected decommissioning cost of an asset after use is included in the cost of the related asset if it meets the recognition criteria for liability reserve.

Each part of property, plant and equipment is depreciated separately and considered as a separate item (significant component) of property, plant and equipment if its cost is material in relation to the total cost of that item.

After initial recognition, an item or a significant component of property, plant and equipment is derecognized and recognized in profit or loss if it is disposed of or if no future economic benefits are expected to flow from its use or disposal. Depreciation is calculated recognized in profit or loss over the estimated useful lives of individual components of property, plant and equipment on a straight-line basis because it best reflects the expected consumption pattern of future economic effects of the assets.

Depreciation is calculated according to the following estimated useful lives:

| | |
|---|---|
| Property and building | 5 - 51 years |
| Machinery equipment | 2 - 16 years |
| Molding equipment | 2 - 3 years |
| Transportation equipment | 2 - 6 years |
| Computer and telecommunication equipment | 4 years |
| Business equipment | 2 - 7 years |
| Leasehold improvements | 5 years |
| Other equipment | 2 - 11 years |

Depreciation is calculated using the straight-line method to write off the cost of assets less their residual values over their useful lives. Estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, and the impact of any changes in estimates is recognized on a deferred basis.

Items of property, plant and equipment are derecognized when they are disposed of or when no future economic benefits are expected from the continued use of the asset. Gains or losses arising from the disposal or scrapping of property, plant and equipment are recognized in profit or loss as the difference between the disposal price and the carrying amount of the asset.

(XII) Leases

1. Lease judgment

   At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

2. The Company as lessee

   The Company recognizes right-of-use assets and lease liabilities at the inception date of the lease. Right-of-use assets are measured initially at cost, which consists of the initially measured amount of the lease liability, adjusted for any lease payments made on or before the inception date of the lease, plus original direct costs incurred and the estimated costs to dismantle or remove the underlying asset and reinstate the underlying asset or its original location, less any lease incentives received.

The right-of-use assets are subsequently depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the asset's useful life or the end of the lease term. In addition, the Company periodically evaluates right-of-use assets for impairment and handles any incurred impairment losses, and adjusts right-of-use assets in case of remeasurement of lease liabilities.

Lease liabilities are measured initially at the present value of outstanding lease payments at the inception date of the lease. The implicit interest rate of the lease is easy to determine, the discount rate is that interest rate, otherwise the Company's incremental borrowing rate is used. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities consist of:

(1) Fixed payments, including substantial fixed payments;

(2) Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the inception date of the lease.

Subsequently, the interests on lease liabilities are calculated using the effective interest method, and the lease liabilities are remeasured when the following circumstances occur:

(1) A change in the index or rate used to determine lease payments results in a change in future lease payments;

(2) A change in the estimate of whether to exercise the option to extend or terminate the lease, which changes the assessment of the lease term;

(3) Changes in the amount of residual value guarantee expected to be paid;

(4) Changes in the evaluation of purchase options for the underlying assets;

(5) Changes in the subject matter, scope or other terms of the lease.

When a lease liability is remeasured as a result of changes in the index or rate used to determine the lease payments, changes in the amount of residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly, and the remaining amount of the remeasurement is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and its difference from the remeasurement amount of the lease liability is recognized in profit or loss.

The Company presents right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items on the balance sheet.

For short-term leases of business equipment and other equipment and leases of low-value assets, the Company chooses not to recognize right-of-use assets and lease liabilities, and but recognizes the related lease payments as expenses on a straight-line basis over the lease term.

For sale and leaseback transactions, whether the transfer of an asset to a buyer-lessor satisfies the requirements for sale is evaluated in accordance with IFRS 15. If it is determined that the asset is sold, such asset is derecognized and the portion of the right transferred to the buyer-lessor is recognized in profit or loss. Leaseback transactions are accounted for as lessee transactions, and the right-of-use asset is measured at the original amount of the portion of the asset leased back. If the requirements for sale are not met, the transferred asset is further recognized and the consideration received is recognized as a financial liability.

3. The Company as lessor

Lease agreements in which the Company is the lessor are classified as a finance lease if substantially all the risks and returns of ownership to the underlying asset have been transferred or an operating lease otherwise at the inception date of the lease. In the evaluation, the Company considers relevant specific indicators, including whether the lease term covers a significant portion of the economic life of the underlying asset.

If the Company is a sub-lessor, the Company shall handle the transactions of primary lease and sublease separately and evaluate the classification of the sublease transaction based on the right of use derived from the primary lease. If the primary lease is a short-term lease and a recognition exemption is applied, the sublease transaction shall be classified as an operating lease.

(XIII) Intangible assets

The Company acquired intangible assets with finite useful lives are shown at cost less accumulated amortization and accumulated impairment losses.

Amortization amount is calculated on a straight-line basis over the following useful lives:

| | |
|---|---|
| Computer software | Economic benefits or contract term |

Estimated useful life and amortization method are reviewed at the end of the reporting period, and the impact of any changes in estimates is deferred.

(XIV) Impairment of non-financial assets

The Company evaluates at each reporting date whether there is any indication showing that the carrying amount of non-financial assets (other than inventories, contract assets, and deferred tax assets) may be impaired. If any indication exists, the recoverable amount of the asset shall be estimated.

For the purpose of impairment test, a group of assets of which a significant portion of the cash inflows are independent of other individual assets or the cash inflow of an asset group is identified as the smallest identifiable asset group. Goodwill acquired from business merger is allocated to each cash generating unit or group of cash generating units that is expected to benefit from the merger synergies.

The recoverable amount is the higher of the fair value of an asset or cash generating unit less the disposal cost and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the recoverable amount of an asset or cash generating unit is less than its carrying amount.

An impairment loss is recognized immediately in profit or loss. The carrying amount of amortized goodwill of a cash generating unit is reduced first, and then the carrying amount of that asset is reduced in proportion to the carrying amount of other assets in the unit.

Impairment losses on goodwill are not reversed. Non-financial asset other than goodwill is reversed only to the extent that the carrying amount (net of depreciation or amortization) of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in previous years.

(XV) Provisions

The provision for liabilities is recognized when there is a present obligation arising from past events, it is likely that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision for liabilities is the best estimate of the expenses that will be required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties of the obligation. If the provision for liabilities is measured at the estimated cash flows to settle the present obligation, the carrying amount is the present value of such cash flows.

(XVI) Revenue recognition

Revenue is measured at the consideration expected to be received for the goods or services transferred. The Company recognizes the revenue when control over goods or services is transferred to the customer to satisfy performance obligations.

1. Sales of goods

   The Company recognizes the revenue when control of the product is transferred to the customer. The control over a product is transferred when the product is delivered to the customer, the customer has complete control over the product's distribution channels and price, and there are no outstanding obligations that would affect the customer's acceptance of the product. Delivery occurs when the product is shipped to a specific location and the risks of obsolescence and loss are transferred to the customer. The customer has accepted the product under a sales contract, the terms of acceptance have expired, or the Company has objective evidence showing that all conditions of acceptance have been met.

   The Company recognizes accounts receivable upon delivery of goods because the Company has an unconditional right to receive consideration at that time.

2. Financial components

   The Company does not adjust the time value of money of the transaction price because it expects the time interval between the transfer of goods or services to the customer and the time the customer pays for those goods or services to be less than one year for all customer contracts.

(XVII) Government grants

Government grants are recognized only when the conditions attached to the grant are met and the grant is expected to be received.

(XVIII) Employee benefits

1. Defined contribution plans

   Contribution obligations to defined contribution pension plans are recognized as expenses over the employees’ service provision period. Prepaid contributions are recognized as an asset to the extent that they result in a cash refund or a reduction in the future payments.

2. Defined benefit plan

   The Company’s net obligation for defined benefit plans is calculated by discounting the present value of future benefit amounts earned by employees for current or prior periods of service, less the fair value of plan assets.

   The defined benefit obligation is actuarially calculated annually by a qualified actuary using the projected unit benefit method. When the calculation results are probable to be favorable to the Company, the assets are recognized to the extent of the present value of any economic benefits that may be obtained in the form of refunds of contributions from the plan or reductions in future contributions to the plan. The present value of economic benefits is calculated taking into account any minimum contribution requirements.

   The remeasurement of the net defined benefit liabilities, including actuarial gains and losses, the return on plan assets (excluding interest), and any changes in the impact of the asset ceiling (excluding interest) are recognized immediately in other comprehensive income and accumulated in retained earnings. The Company determines that net interest expense (income) on the net defined benefit liability (asset) uses the net defined benefit liability (asset) and discount rate determined at the beginning of the annual reporting period. Net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

   Changes in benefits related to prior service costs or reduced benefits or losses resulting from plan revisions or reductions are recognized immediately in profit or loss. The Company recognizes gains or losses on settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

   Short-term employee benefit obligations are recognized as expenses when services are rendered. If the Company has a present legal or constructive obligation to pay as a result of past service rendered by employees, and the obligation can be estimated reliably, the amount is recognized as a liability.

(XIX) Borrowing costs

Borrowing costs directly attributable to the acquisition of an asset are included as part of the cost of that asset until substantially all activities necessary to bring the asset to its intended use or sale state have been completed.

Except for the above, all other borrowing costs are recognized as profit or loss in the year in which they are incurred.

(XX) Income tax

The income tax for the period comprises current and deferred tax.

Current income taxes include income taxes payable or tax refunds receivable based on the taxable income (loss) in current year, and any adjustments to income taxes payable or tax refunds receivable in previous years. The amount is the best estimate of the amount expected to be paid or received, as measured by the statutory tax rate or the tax rate under substantive legislation at the reporting date.

Deferred income taxes are measured and recognized for temporary differences between the carrying amounts of assets and liabilities at the date of financial reporting and their tax bases. Unused tax losses and unused tax credits in later periods of transfer, and deductible temporary differences are recognized as deferred tax assets to the extent that it is very likely that future taxable income will be available. They shall also be reassessed at each reporting date and reduced to the extent that the relevant income tax benefit is not within the scope very likely to be realized; or the originally reduced amount shall be reversed to the extent that it is very likely to generate sufficient taxable income.

Deferred tax assets and deferred tax liabilities are offset only if the following conditions are met simultaneously:

1. There is a legally enforceable right to offset current tax assets against current tax liabilities; and
2. The deferred tax assets and liabilities are relate to one of the following taxpayers that are subject to the income tax levied by the same taxation authority:
   (1) The same taxpayer; or
   (2) Different taxpayers, provided that each taxpayer intends to settle current income tax liabilities and assets on a net basis, or to realize assets and settle liabilities 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.

(XXI) Earnings per share

The Company presents basic and diluted earnings per share attributable to equity holders of the Company's common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company's common shares by the weighted average number of outstanding common shares in current period. Diluted earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company's common shares by the weighted average number of outstanding common shares, adjusted for the impact of all potential diluted common shares.

(XXII) Segment information

Information on segments has been disclosed by the Company in the consolidated financial statements, thus will not be disclosed in the parent company only financial statements.

V. Significant Accounting Judgment, Estimates, and Assumptions and the Main Sources of Assumption Uncertainty

When the Comapny adopts accounting policies, the management must make relevant judgments, estimates and assumptions based on experience and other relevant factors for the information that is not easily obtained from other sources. Actual results may differ from estimates.

The Company includes the economic impacts of COVID-19, Ukraine-Russia conflict and inflation into considerations for significant accounting estimates. The Management will continuously review estimates and underlying assumptions, and recognize changes in accounting estimates in the period when the changes occur and in the future periods affected.

Management is required to make judgments, estimates and assumptions when preparing the parent company only financial statements. They will affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates.

Information about uncertainties in assumptions and estimates that have a significant risk of causing a material adjustment in the next year is summarized below. The uncertainties in the following assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year and have reflected the impact of the COVID-19 pandemic. The relevant information is summarized below:

(I) Lose allowance for accounts receivable

The loss allowance for accounts receivable is estimated based on the assumptions of default risk and expected loss rate. The Company considers historical experience, current market conditions and forward-looking estimates at each reporting date to determine the assumptions and inputs to be used in the impairment calculation. For details of the relevant assumptions and inputs, please refer to Note VI(IV).

(II) Evaluation of inventories

Since inventories are measured at the lower of cost or net realizable value, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on reporting date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes due to rapid changes in the industry.

(III) Impairment evaluation of investments accounted for using equity method

When there is an indication that an investment by equity method has impaired and the carrying amount may not be recovered, the Company will evaluate such impairment immediately. The Company evaluates the impairment loss based on the investee's future cash flow projections, including the sales growth rate and capacity utilization rate estimated by the investee's internal management, and analyzes the reasonableness of the related assumptions.

(IV) Impairment evaluation of tangible assets and intangible assets (excluding goodwill)

During the asset impairment evaluation process, the Company relies on its subjective judgment, use mode of assets and characteristics of the industry, to determine the independent cash flows of a particular asset group, useful life of the assets and the likely future income and loss, and any change in estimates due to changes in economic conditions or the Company's strategy may cause significant impairment or reversal of a recognized impairment loss in the future.

(V) Recognition and measurement of provision for liabilities

Provisions for product warranty liabilities are estimated at the time of revenue recognition and are based on the number of products under warranty, the history of the products, the expected maintenance rate and the expected unit maintenance cost. The Company continuously reviews the basis of these estimates and revises them when appropriate. Any change in the above estimate basis could materially affect the estimation of the provision for product warranty liabilities.

(VI) Realizability of deferred tax assets

Deferred tax assets are recognized only when it is probable that there will be sufficient taxable income for deductible temporary differences to be used in the future. Assessing the realizability of deferred tax assets must involve significant accounting judgments and estimates by the management, including assumptions about expected future sales revenue growth and profit margins, tax holiday periods, available income tax credits, and tax planning, etc. Any changes in the global economic environment, industrial environment and laws may cause significant adjustments to deferred tax assets.

(VII) Measurement of defined benefit obligation

The defined benefit cost and net defined benefit liabilities (assets) to be recognized for the defined benefit pension plan are actuarially valued using the projected unit benefit method. The actuarial assumptions adopted include discount rate, employee turnover rate, and increment rate of future salary. Such assumptions could materially affect the amounts of expenses and liabilities recognized if they change as a result of changes in market and economic conditions. For the significant actuarial assumptions used in the actuarial calculations and the sensitivity analysis, please refer to Note VI(XVII).

VI. Summary of Significant Accounting Titles

(I) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash | $ 2,537 | $ 2,574 |
| Bank deposits | 615,664 | 976,450 |
| | $ 618,201 | $ 979,024 |

(II) Financial assets at FVTPL

Current items:

| Mandatorily measured at FVTPL | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Domestic listed (OTC) stocks | $ 417,099 | $ 380,865 |
| Adjustments | 119,830 | (3,863) |
| | $ 536,929 | $ 377,002 |

Non-current items:

| Mandatorily measured at FVTPL | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Overseas non-listed (non-OTC) stocks | $ 27 | $ 27 |
| Adjustments | (27) | (27) |
| | $ - | - |

1. Profits (losses) recognized in relation to the financial assets at fair value through profit or loss are listed below:

| Mandatorily measured at FVTPL | 2023 | 2022 |
|---|---|---|
| Profits (losses) on valuation | $ 123,694 | $ (11,149) |
| Gain on disposal | $ 2,841 | $ 2,095 |
| Dividend revenue | $ 23,144 | $ 16,926 |

2. The Company has no financial assets at fair value through profit or loss pledged to others.
3. The above equity instruments of the Company are held for trading and are therefore measured at fair value through profit or loss.
4. The Company invested in AUTECH EUROPE, a French agency, at an amount of FRF 5,000 (equaling to NT$27 thousand) in 1990, and the total capital amount of AUTECH EUROPE was FRF 100,000. In 1996, due to value impairment and little hope of recovery of the investee companies, all were recognized as losses.

(III) Financial assets at FVOCI - non-current

| Measured at FVTOCI | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Domestic listed (OTC) stocks | $ 5,372 | $ 21,391 |
| Adjustments | (3,381) | (10,933) |
| | $ 1,991 | $ 10,458 |

1. The Company holds the above equity instruments as long-term strategic investments and therefore designates these investments as at fair value through other comprehensive income.
2. The Company disposed of equity investments at fair values of NT$7,012 thousand and NT$3,808 thousand in 2023 and 2022, respectively, and the accumulated losses and gains on disposal were NT$(9,038) thousand and NT$1,125 thousand, respectively. The above accumulated disposal losses and gains have been transfered to the retained earnings from other equities.
3. Amounts recognized in profit or loss in relation to the financial assets at fair value through other comprehensive income are listed below:

| Measured at FVTOCI | 2023 | 2022 |
|---|---|---|
| Dividend income recognized in profit or loss | | |
| Held at the end of the period | $ 164 | $ 1,188 |
| Derecognized during the period | - | - |
| | $ 164 | $ 1,188 |
| Changes in fair value recognized in other comprehensive income | $ (1,486) | $ (13,848) |
| Accumulated gains (losses) transferred to retained earnings due to derecognition | $ (9,038) | $ 1,125 |

4. The Company has no financial assets at fair value through other comprehensive income pledged to others.

(IV) Financial assets measured at amortized cost

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Pledged time deposits | $ 10,137 | $ - |
| Non-current | $ 10,137 | $ - |

1. For information on pledged financial assets at amortized cost, please refer to Note VIII.

(V) Notes and accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivable | $ 58,176 | $ 258,779 |
| Less: Loss allowance | (7,058) | (4,683) |
| Net | $ 51,118 | $ 254,096 |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Account receivables | $ 305,555 | $ 421,595 |
| Less: Loss allowance | (965) | (1,743) |
| Net | $ 304,590 | $ 419,852 |

The average credit period for merchandise sales ranges from 30 to 90 days for monthly statement, and accounts receivable are non-interest-bearing.

The loss allowance for accounts receivable of the Company is recognized by simplified method under IFRS 9 according to lifetime expected credit losses. The lifetime expected credit loss is calculated using provision matrix and takes past breach records of the customer, the current financial condition and industrial economic trend. Since the Company's historical experience of credit losses shows that there is no significant difference in the pattern of losses among different customer groups, therefore, the reserve matrix does not further distinguish between the customer groups, but only determines the expected credit loss rate based on the number of days overdue on accounts receivable.

If any evidence shows the counterparty faces significant financial difficulty and the collectible amount cannot be reasonably expected, the Company will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The Company measures the loss allowance of note and accounts receivable according to the provision matrix as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| | Total carrying amount | Loss allowance (lifetime expected credit losses) | Amortized cost |
| Not past due | $ 345,791 | $ (7,537) | $ 338,254 |
| 1 - 30 days past due | 5,677 | (61) | 5,616 |
| 31 - 180 days past due | 4,033 | (121) | 3,912 |
| 181 - 365 days past due | 8,145 | (249) | 7,896 |
| Over 366 days past due | 85 | (55) | 30 |
| Total | $ 363,731 | $ (8,023) | $ 355,708 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Total carrying amount | Loss allowance (lifetime expected credit losses) | Amortized cost |
| Not past due | $ 659,895 | $ (5,863) | $ 654,032 |
| 1 - 30 days past due | 12,226 | (245) | 11,981 |
| 31 - 180 days past due | 7,863 | (194) | 7,669 |
| 181 - 365 days past due | 116 | (34) | 82 |
| Over 366 days past due | 274 | (90) | 184 |
| Total | $ 680,374 | $ (6,426) | $ 673,948 |

The expected credit loss ratios of the Company for each of the above sections (excluding unusual items for which 100% of the total amount has been presented) were 1% or less for not past due and 90 days or less past due; 5% or less for 365 days or less past due; and 5% - 80% for more than 365 days past due.

The changes in the Company's loss allowance of notes and accounts receivable are as follows:

| | 2023 | 2022 |
|---|---|---|
| Opening balance | $ 6,426 | $ 26,338 |
| Presentation (reversal) in the current period | 1,686 | 891 |
| Write-offs in the current period | (89) | (20,803) |
| Ending balance | $ 8,023 | $ 6,426 |

(VI) Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Products | $ 4,655 | $ 6,264 |
| Raw materials | 197,963 | 289,213 |
| Work in process | 747,642 | 661,340 |
| Finished goods | 58,755 | 64,462 |
| | $ 1,009,015 | $ 1,021,279 |

1. Inventory-related expenses recognized in the current period

| | 2023 | 2022 |
|---|---|---|
| Cost of goods sold | $ 1,248,114 | $ 1,770,139 |
| Loss on market value decline and obsolete and slow-moving inventories | 41,018 | 26,215 |
| Inventory obsolescence | 3,382 | 2,352 |
| Inventory loss | 3,346 | 2,554 |
| Income from sale of scraps | (396) | (1,205) |
| Idle capacity related costs | 36,100 | 25,501 |
| | $ 1,331,564 | $ 1,825,556 |

2. As of December 31, 2023 and 2022, there were no guarantees or pledges on inventories.

(VII) Investments accounted for using equity method

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Subsidiaries | $ 835,556 | $ 892,166 |
| Associates | 116,713 | 109,850 |
| | $ 952,269 | $ 1,002 016 |

1. Invested subsidiaries

The Company's subsidiaries are listed below:

| Investee company | Main business | Place of establishment and operation | Carrying amount | | Percentage of ownership interest and voting rights held by the Company | |
|---|---|---|---|---|---|---|
| | | | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| B-Way (Cayman) Co., Ltd. | Foreign investment and international trade | Cayman Islands | $ 694,302 | $ 718,246 | 100.00% | 100.00% |
| Yih Chuan Machinery Industry Co., Ltd. | Manufacture and sale of machinery, equipment and tools | Taiwan | 141,254 | 173,920 | 60.00% | 60.00% |
| | | | $ 835,556 | $ 892,166 | | |

(1) On August 8, 2002, the Board of Directors resolved to invest US$1,700 thousand in B-Way (Cayman) Co., Ltd. and indirectly invested in Dawei Mechantronic (Suzhou) Co., Ltd. and Shanghai Zhuwai Mechanical and Electrical Co., Ltd. through B-Way (Cayman) Co., Ltd. to engage in the sales and installation of parts and accessories of tool machines, mechanical instruments and international trade business.

(2) On May 4, 2007, the Board of Directors resolved to invest US$8,000 thousand in B-Way (Cayman) Co., Ltd. and indirectly invested in Awea Mechantronic (Suzhou) Ltd. through B-Way (Cayman) Co., Ltd. to engage in the sales and installation of parts and accessories of tool machines, mechanical instruments and international trade business.

(3) On September 23, 2013, the Board of Directors resolved to invest NT$192,570 thousand in Yih Chuan Machinery Industry Co., Ltd., and further invested NT$72,022 thousand on September 8, 2015. As of December 31, 2021, the Company held 60% of its stock options. It is engaged in the manufacture, processing and trading of various kinds of machine tools, the manufacture, processing and trading of various kinds of machine parts, and the casting of various kinds of machine parts.

(4) On August 2, 2018, the Board of Directors resolved to merge Dawei Mechantronic (Suzhou) Co., Ltd. into Awea Mechantronic (Suzhou) Ltd., and the merger was completed on September 8, 2020.

(5) The Company’s share of profit or loss and other comprehensive income in its subsidiaries using equity method in 2023 and 2022 are recognized in accordance with the subsidiaries’ financial statements audited by CPAs over the same period.

2. Invested associates

The Company's associates are listed below:

| Investee company | Main business | Place of establishment and operation | Carrying amount | | Percentage of ownership interest and voting rights held by the Company | |
|---|---|---|---|---|---|---|
| | | | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| Yama Seiki USA, Inc. | Design and production of CNC machine tools, CNC systems, servo devices and related components with more than three axes linkage, and maintenance and sales of precision CNC machine tools | USA | $ 108,435 | $ 101,849 | 28.58% | 28.58% |
| Huahan Leasing Co., Ltd. | Rental of machinery and equipment | Taiwan | 8,278 | 8,001 | 13.33% | 13.33% |
| | | | $ 116,713 | $ 109,850 | | |

(1) On December 23, 2010, the Company's Board of Directors resolved to invest US$1,700 thousand in YAMA SEIKI USA, INC. to engage in the sales and installation of parts and accessories of tool machines, mechanical instruments and international trade business.

(2) In August 2021, the Company resolved to invest NT$7,333 thousand in Huahan Leasing Co., Ltd. to engage in the machinery and equipment leasing business.

(3) The Company's share of profit or loss and other comprehensive income in its associates using equity method in 2023 and 2022 are recognized in accordance with the associates' financial statements audited by CPAs over the same period.

(VIII) Property, plant and equipment

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Self-owned land | $ 536,761 | $ 536,761 |
| Property and building | 708,016 | 741,443 |
| Machinery equipment | 68,815 | 74,600 |
| Molding equipment | 6,130 | 5,398 |
| Transportation equipment | 8,395 | 12,269 |
| Computer and telecommunication equipment | 4,776 | 6,527 |
| Business equipment | 4,050 | 5,988 |
| Leasehold improvements | - | - |
| Other equipment | 1,871 | 4,009 |
| Unfinished construction and equipments pending acceptance | 39,865 | 8,406 |
| | $ 1,378,679 | $ 1,395,401 |

| | January 1, 2023 | Additions | Disposals | Reclassification | December 31, 2023 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Self-owned land | $ 536,761 | $ - | $ - | $ - | $ 536,761 |
| Property and building | 1,162,434 | 87 | - | - | 1,162,521 |
| Machinery equipment | 221,368 | 6,413 | - | - | 227,781 |
| Molding equipment | 50,371 | 3,605 | - | - | 53,976 |
| Transportation equipment | 56,637 | 233 | (1,943) | - | 54,927 |
| Computer and telecommunication equipment | 11,322 | - | (24) | - | 11,298 |
| Business equipment | 18,812 | 1,411 | - | - | 20,223 |
| Leasehold improvements | 749 | - | - | - | 749 |
| Other equipment | 24,057 | - | - | - | 24,057 |
| Unfinished construction and equipments pending acceptance | 8,406 | 31,459 | - | - | 39,865 |
| | $ 2,090,917 | $ 43,208 | $ (1,967) | $ - | $ 2,132,158 |

| | January 1, 2023 | Depreciation | Disposals | Reclassification | December 31, 2023 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| Property and building | $ 420,991 | $ 33,514 | $ - | $ - | $ 454,505 |
| Machinery equipment | 146,768 | 12,198 | - | - | 158,966 |
| Molding equipment | 44,973 | 2,873 | - | - | 47,846 |
| Transportation equipment | 44,368 | 4,107 | (1,943) | - | 46,532 |
| Computer and telecommunication equipment | 4,795 | 1,751 | (24) | - | 6,522 |
| Business equipment | 12,824 | 3,349 | - | - | 16,173 |
| Leasehold improvements | 749 | - | - | - | 749 |
| Other equipment | 20,048 | 2,138 | - | - | 22,186 |
| | $ 695,516 | $ 59,930 | $ (1,967) | $ - | $ 753,479 |
| Net | $ 1,395,401 | | | | $ 1,378,679 |

| | January 1, 2022 | Additions | Disposals | Reclassification | December 31, 2022 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Self-owned land | $ 536,761 | $ - | $ - | $ - | $ 536,761 |
| Property and building | 1,162,434 | - | - | - | 1,162,434 |
| Machinery equipment | 229,623 | 1,844 | (10,099) | - | 221,368 |
| Molding equipment | 47,223 | 3,560 | (412) | - | 50,371 |
| Transportation equipment | 51,886 | 5,363 | (612) | - | 56,637 |
| Computer and telecommunication equipment | 4,435 | 6,961 | (74) | - | 11,322 |
| Business equipment | 17,802 | 1,010 | - | - | 18,812 |
| Leasehold improvements | 749 | - | - | - | 749 |
| Other equipment | 24,660 | 273 | (876) | - | 24,057 |
| Unfinished construction and equipments pending acceptance | 8,346 | 60 | - | - | 8,406 |
| | $ 2,083,919 | $ 19,071 | $ (12,073) | $ - | $ 2,090,917 |

| | January 1, 2022 | Depreciation | Disposals | Reclassification | December 31, 2022 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| Property and building | $ 386,233 | $ 34,758 | $ - | $ - | $ 420,991 |
| Machinery equipment | 142,212 | 12,439 | (7,883) | - | 146,768 |
| Molding equipment | 42,556 | 2,829 | (412) | - | 44,973 |
| Transportation equipment | 40,413 | 4,512 | (557) | - | 44,368 |
| Computer and telecommunication equipment | 4,080 | 789 | (74) | - | 4,795 |
| Business equipment | 9,521 | 3,303 | - | - | 12,824 |
| Leasehold improvements | 728 | 21 | - | - | 749 |
| Other equipment | 18,426 | 2,256 | (634) | - | 20,048 |
| | $ 644,169 | $ 60,907 | $ (9,560) | $ - | $ 695,516 |
| Net | $ 1,439,750 | | | | $ 1,395,401 |

1. For properties, plants and equipment provided by the Company as the guarantee for borrowings, please refer to Note VIII for details.

2. The land accounted for by the Company as at December 31, 2023 and 2022 was partly agricultural land with title temporarily registered in the name of another person for an amount of NT$88,529 thousand, in respect of which the Company has obtained a certificate of creation of other rights.

(IX) Lease arrangements

1. Right-of-use assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Land-use right | $ - | $ 10,044 |
| Property and building | 910 | 2,232 |
| | $ 910 | $ 12,276 |

| | January 1, 2023 | Additions | Disposals | Others | December 31, 2023 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Land-use right | $ 49,451 | $ - | $ - | $ - | $ 49,451 |
| Property and building | 4,393 | - | (149) | - | 4,244 |
| | $ 53,844 | $ - | $ (149) | $ - | $ 53,695 |

| | January 1, 2023 | Depreciation | Disposals | Others | December 31, 2023 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| Land-use right | $ 39,407 | $ 10,044 | $ - | $ - | $ 49,451 |
| Property and building | 2,161 | 1,322 | (149) | - | 3,334 |
| | $ 41,568 | $ 11,366 | $ (149) | $ - | $ 52,785 |
| Net | $ 12,276 | | | | $ 910 |

| | January 1, 2022 | Additions | Disposals | Others | December 31, 2022 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Land-use right | $ 48,848 | $ 603 | $ - | $ - | $ 49,451 |
| Property and building | 5,334 | 694 | (1,635) | - | 4,393 |
| | $ 54,182 | $ 1,297 | $ (1,635) | $ - | $ 53,844 |

| | January 1, 2022 | Depreciation | Disposals | Others | December 31, 2022 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| Land-use right | $ 29,363 | $ 10,044 | $ - | $ - | $ 39,407 |
| Property and building | 739 | 1,422 | - | - | 2,161 |
| | $ 30,102 | $ 11,466 | $ - | $ - | $ 41,568 |
| Net | $ 24,080 | | | | $ 12,276 |

2. Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current | $ 638 | $ 11,420 |
| Non-current | 280 | 918 |
| | $ 918 | $ 12,338 |

3. Important renting activities and terms

The Company leases some assets for periods ranging from 3 to 10 years. Upon termination of the leases, the Company does not have a preemptive right to acquire the leased assets.

4. Other lease information

| | 2023 | 2022 |
|---|---|---|
| Short-term lease and lease expenses of low-value assets | $ 3,210 | $ 681 |
| Total cash outflow from leases | $ 11,420 | $ 11,410 |

(X) Intangible assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Computer software | $ 5,813 | $ 6,794 |

| Cost | January 1, 2023 | Additions | Disposals | Reclassification | December 31, 2023 |
|---|---|---|---|---|---|
| Computer software | $ 16,556 | $ 760 | $ (364) | $ - | $ 16,952 |

| Accumulated depreciation | January 1, 2023 | Amortization in current period | Disposals | Reclassification | December 31, 2023 |
|---|---|---|---|---|---|
| Computer software | $ 9,762 | $ 1,741 | $ (364) | $ - | $ 11,139 |
| Net | $ 6,794 | | | | $ 5,813 |

| Cost | January 1, 2022 | Additions | Disposals | Reclassification | December 31, 2022 |
|---|---|---|---|---|---|
| Computer software | $ 15,756 | $ 800 | $ - | $ - | $ 16,556 |

| Accumulated depreciation | January 1, 2022 | Amortization in current period | Disposals | Reclassification | December 31, 2022 |
|---|---|---|---|---|---|
| Computer software | $ 7,847 | $ 1,915 | $ - | $ - | $ 9,762 |
| Net | $ 7,909 | | | | $ 6,794 |

(XI) Net overdue receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Overdue receivables | $ 860 | $ 9,732 |
| Less: allowance for uncollectible accounts | (860) | (9,732) |
| | $ - | $ - |

(XII) Other financial assets - current

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Special funds for repatriation of overseas funds | $ 343,987 | $ 353,397 |
| Restricted assets - bank deposits | - | 187,946 |
| | $ 343,987 | $ 541,343 |

Regarding the special funds to be repatriated upon approval of the National Taxation Bureau, Ministry of Finance in accordance with the "Regulations of Repatriated Offshore Funds", the Group intends to submit an investment plan to the Ministry of Economic Affairs within one year from the date on which the funds are deposited in a special account for foreign exchange deposits in accordance with Article 8 of the Regulations. Pursuant to the Regulations, the said plan was approved by the Ministry of Economic Affairs through the approval document No. 11020433960 on September 23, 2021.

## (XIII) Short-term borrowings

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Secured loans | $ 265,000 | $ 435,000 |
| Credit loans | 1,200,000 | 1,445,000 |
| | $ 1,465,000 | $ 1,880,000 |
| Interest rate | 1.6800%~1.7500% | 1.3123%~1.9500% |

Please refer to Note VIII for the guarantees provided.

## (XIV) Short-term notes and bills payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Short-term notes and bills payable | $ 80,000 | $ 290,000 |
| Less: Discount on short-term notes and bills payable | (13) | (359) |
| | $ 79,987 | $ 289,641 |
| Interest rate | 1.4500% | 1.3000%~1.7800% |

## (XV) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Other expenses payable | $ 67,499 | $ 69,729 |
| Employee compensation payable | 16,000 | 16,000 |
| Remuneration payable to directors and supervisors | 2,750 | 1,800 |
| Dividends payable | 491 | 491 |
| Construction and equipment payable | 212 | 1,086 |
| | $ 86,952 | $ 89,106 |

## (XVI) Current provisions

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Warranty | $ 3,836 | $ 5,272 |
| Employee benefits | 7,196 | 5,783 |
| | $ 11,032 | $ 11,055 |

| | January 1, 2023 | New in current period | Reversal in current period | December 31, 2023 |
|---|---|---|---|---|
| Warranty | $ 5,272 | $ - | $ (1,436) | $ 3,836 |
| Employee benefits | 5,783 | 1,413 | - | 7,196 |
| | $ 11,055 | $ 1,413 | $ (1,436) | $ 11,032 |

| | January 1, 2022 | New in current period | Reversal in current period | December 31, 2022 |
|---|---|---|---|---|
| Warranty | $ 4,355 | $ 917 | $ - | $ 5,272 |
| Employee benefits | 6,885 | - | (1,102) | 5,783 |
| | $ 11,240 | $ 917 | $ (1,102) | $ 11,055 |

1. Warranty provision for liabilities refers to that as agreed in the sales contract of products, the management of the Company makes optimal estimate based on historical experience of the products.
2. Provisions for employee benefit liabilities are recognized as a liability if the Company has a present legal or constructive obligation to pay as a result of past service rendered by employees, and the obligation can be estimated reliably.

(XVII) Employee benefits

1. Defined benefit plan

   The Company's employee retirement plan under the "Labor Standards Act" is a defined benefit plan. Under the plan, the employee's pension is calculated based on the number of years of service and the average salary of the six months before retirement. The Company contributes monthly an amount equal to 2% of the employees' gross salaries to the Labor Pension Fund Supervisory Committee and deposits the funds in the name of the Committee in a special account at the Bank of Taiwan. The Funds are operated and managed by the government's designated authorities. Accordingly, the Company does not have any right to intervene in the investments of the Funds.

   The actuarial valuations of the present value of the defined benefit obligation of the Company are carried out by qualified actuaries. The major assumptions used in the actuarial valuation on the measurement date are listed below:

(1) Actuarial assumptions on the reporting date:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.300% | 1.400% |
| Expected salary adjustment rate | 2.500% | 2.500% |

(2) The amounts of pension expenses recognized in the parent company only statements of comprehensive income in respect of defined benefit plan are shown below:

| | 2023 | 2022 |
|---|---|---|
| Current service cost | $ 161 | $ 235 |
| Interest cost on defined benefit obligation | 403 | 273 |
| Interest income on plan assets | (283) | (180) |
| Recognized in profit or loss | 281 | 328 |
| Remeasurement | | |
| Actuarial gains (losses) - Experience adjustments | 269 | 743 |
| Actuarial gains (losses) - Adjustments to demographic assumptions | - | - |
| Actuarial gains (losses) - Adjustments to financial assumptions | 259 | (1,858) |
| Return on plan assets | (177) | (2,181) |
| Recognized in other comprehensive income | 351 | (3,296) |
| Total | $ 632 | $ (2,968) |

Pension expenses recognized in profit or loss for the above defined benefit plan are included in the following items:

| | 2023 | 2022 |
|---|---|---|
| Operating costs | $ 2,274 | $ 654 |
| Selling and marketing expenses | 61 | 71 |
| General and administrative expenses | 230 | 62 |
| Research and development expenses | 78 | 70 |
| Others | (2,362) | (499) |
| | $ 281 | $ 328 |

(3) The Company's obligation amount from defined benefit plans recognized in the parent company only balance sheets is as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Present value of defined benefit obligation | $ | 27,587 | $ | 28,824 |
| Fair value of plan assets | | (20,614) | | (19,833) |
| Net defined benefit liability | $ | 6,973 | $ | 8,991 |

(4) Changes in the present value of the Company's defined benefit obligations are presented below:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Opening balance | $ | 28,824 | $ | 36,351 |
| Current service cost | | 161 | | 235 |
| Net interest expense | | 403 | | 273 |
| Remeasurement | | | | |
| Actuarial gains (losses) - Experience adjustments | | 269 | | 743 |
| Actuarial gains (losses) - Adjustments to demographic assumptions | | – | | - |
| Actuarial gains (losses) - Adjustments to financial assumptions | | 259 | | (1,858) |
| Benefits paid for plan assets | | (2,329) | | (6,920) |
| Ending balance | $ | 27,587 | $ | 28,824 |

(5) Changes in the fair value of the Company's plan assets are presented below:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Opening balance | $ | 19,833 | $ | 23,557 |
| Interest income | | 283 | | 180 |
| Remeasurement | | | | |
| Return on plan assets | | 177 | | 2,181 |
| Contributions from employer | | 2,650 | | 835 |
| Benefits paid for plan assets | | (2,329) | | (6,920) |
| Ending balance | $ | 20,614 | $ | 19,833 |

The Company expects to contribute NT$761 thousand to the defined benefit plan within one year after December 31, 2023.

2. Defined contribution benefit plan

The Company's employee retirement plan under the "Labor Pension Act" is a defined contribution plan. The Company contributes an amount equal to 6% of the employees' monthly wages to the special accounts at the Bureau of Labor Insurance. In accordance with the above regulations, the pension costs recognized by the Company for the years ended December 31, 2023 and 2022 were NT$12,692 thousand and NT$12,495 thousand, respectively.

(XVIII) Share capital

As of December 31, 2023, the Company's authorized common stock amounted to NT$1,000,000 thousand, with paid-in capital of NT$965,942 thousand, par value of NT$10 per share, divided into 96,594,171 shares.

(XIX) Capital surplus

1. Pursuant to the Company Act, capital surplus may not be used except to cover a deficit or to increase capital. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
2. Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. However, the capital increase is limited to a certain percentage of the paid-in capital each year. In addition, changes in ownership interest in subsidiaries recognized can be used to cover a deficit.

(XX) Retained earnings

Legal reserve should be appropriated until it reaches the total amount of paid-in capital. Legal reserve can be used to cover a deficit of the Company, and if there is no deficit, the excess of legal reserve over 25% of paid-in capital may be used to distributed new shares or cash to shareholders in proportion to their original shares.

The Company allocates and reverse the special reserve in accordance with Jin-Guan-Zheng-Fa-Zi No. 1090150022 and the "FAQ on the Allocation of Special Reserve after Adoption of International Financial Reporting Standards (IFRSs)". If the remaining balance of other shareholders' equity is reversed, the reversed portion may be used to distribute earnings to the shareholders.

In accordance with the Company's Articles of Incorporation, the Company's annual net income after final settlement shall be used to pay taxes and cover the deficits of prior years, 10% of the remaining income shall be set aside as legal reserve and special reserve in accordance with the law, and the remaining balance shall be added to the undistributed earnings of prior years and a part of which retained as the capital required for the business growth, and then the Board of Directors shall prepare the earnings distribution proposal and submit it to the shareholders' meeting for resolution.

At the shareholders' meetings of the Company held on June 7, 2023 and June 15, 2022, respectively, the Company resolved to approve the earning distribution plan and the dividends per share for the years 2022 and 2021, respectively, as follows:

| | Earning distribution plan | | Dividends per share (NT$) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $ 35,790 | $ 13,278 | | |
| The distribution items are as follows: | | | | |
| Capital surplus | - | 28,979 | $ - | $ 0.3 |
| Cash dividends | 154,551 | 115,913 | 1.6 | 1.2 |

The above distribution of earnings did not differ from the resolutions made by the Board of Directors on March 13, 2023 and March 15, 2022, respectively.

Information on the earning distribution condition proposed by the Board of Directors and resolved by the Shareholders' Meeting, is available on the "Market Observation Post System" website of the Taiwan Stock Exchange.

The distribution of earnings for 2023 had been approved by the Board of Directors on March 5, 2024 as follows:

| | Earning distribution plan | Dividends per share (NT$) |
|---|---|---|
| | 2023 | 2023 |
| Legal reserve | $ 20,149 | |
| The distribution items are as follows: | | |
| Cash dividends | 144,891 | $ 1.5 |

The distribution of earnings for 2023 is to be resolved by the shareholders' meeting to be held on June 18, 2024.

(XXI) Other equity items

Exchange differences arising from the translation adjustments of the financial statements of foreign operations are the relevant exchange differences generated from the translation of the functional currency of the net assets of foreign operations into the Company's presentation currency (i.e., New Taiwan dollars), and are recognized directly in other comprehensive income. The losses and gains recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were NT$(13,317) thousand and NT$17,410 thousand, respectively.

(XXII) Operating revenue

| | 2023 | 2022 |
|---|---|---|
| Total operating revenue | $ 1,580,643 | $ 2,292,233 |
| Less: Sales returns and discounts | (8,322) | (8,575) |
| | $ 1,572,321 | $ 2,283,658 |

| | 2023 | 2022 |
|---|---|---|
| Revenue from sales of goods | $ 1,301,851 | $ 1,953,731 |
| Maintenance and other income | 270,470 | 329,927 |
| | $ 1,572,321 | $ 2,283,658 |

1. Revenue segmentation

(1) The Company's contract revenues are derived from the provision of goods and services transferred at a specific time.

(2) Major sales market by geography:

| | 2023 | 2022 |
|---|---|---|
| Domestic sales | $ 279,810 | $ 805,834 |
| Export | | |
| Asia | 654,406 | 677,126 |
| America | 327,990 | 375,904 |
| Europe | 275,380 | 419,212 |
| Other countries | 34,735 | 5,582 |
| | $ 1,572,321 | $ 2,283,658 |

2. Contract balance

(1) Changes in contract liabilities result from the difference between the fulfillment of contractual obligations and the payment from customers.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Contract liabilities | $ 57,348 | $ 73,324 |

(2) Amount of opening contract liabilities recognized as revenue in current period is:

| | 2023 | 2022 |
|---|---|---|
| Sales revenue | $ 38,510 | $ 94,597 |

(XXIII) Other income

| | 2023 | 2022 |
|---|---|---|
| Rental income | $ 3,240 | $ 3,121 |
| Dividend revenue | 23,308 | 18,114 |
| Other income | 24,403 | 10,138 |
| | $ 50,951 | $ 31,373 |

(XXIV) Other gains and losses

| | 2023 | 2022 |
|---|---|---|
| Foreign currency exchange gain | $ 5,782 | $ 113,941 |
| Net gain (loss) on disposals of property, plant and equipment | 343 | (241) |
| Gains from disposal of financial assets | 2,841 | 2,095 |
| Gain (loss) on financial valuation at fair value through profit or loss | 123,694 | (11,149) |
| Others | (469) | (565) |
| | $ 132,191 | $ 104,081 |

(XXV) Finance costs

| | 2023 | 2022 |
|---|---|---|
| Interest on bank loans | $ 28,647 | $ 19,729 |
| Interest on lease liabilities | 57 | 168 |
| | $ 28,704 | $ 19,897 |

(XXVI) Employee benefits, depreciation and amortisation expense

| | 2023 | | |
| --- | --- | --- | --- |
| | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefits expense | | | |
| Salary expense | $ 162,715 | $ 98,912 | $ 261,627 |
| Labor and health insurance expense | 17,392 | 10,724 | 28,116 |
| Pension expense | 7,613 | 5,360 | 12,973 |
| Director's remuneration | - | 3,360 | 3,360 |
| Other employee benefit expenses | 4,940 | 2,707 | 7,647 |
| Depreciation | 58,969 | 12,327 | 71,296 |
| Amortisation | 301 | 1,440 | 1,741 |

| | 2022 | | |
| --- | --- | --- | --- |
| | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefits expense | | | |
| Salary expense | $ 179,735 | $ 114,647 | $ 294,382 |
| Labor and health insurance expense | 18,202 | 11,352 | 29,554 |
| Pension expense | 8,305 | 5,018 | 13,323 |
| Director's remuneration | - | 2,440 | 2,440 |
| Other employee benefit expenses | 7,317 | 3,297 | 10,614 |
| Depreciation | 59,728 | 12,645 | 72,373 |
| Amortisation | 297 | 1,618 | 1,915 |

As of December 31, 2023 and 2022, the Company had 368 and 423 employees, respectively, including 7 and 5 directors who were not employees concurrently.

In accordance with the Company's Articles of Incorporation, if the Company makes a profit during the year, the Company shall set aside not less than 3% to 8% as compensation to employees and not more than 2% as remuneration to directors and supervisors. The Company may distribute the above compensation to employees of its subsidiaries who meet certain criteria, and the terms and methods of distribution shall be determined by the Board of Directors. However, if the Company has accumulated deficit, an amount to cover such deficit shall be reserved in advance.

In 2023, the Company estimated employees' compensation of NT$16,000 thousand and directors' and supervisors' remuneration of NT$2,750 thousand, respectively. The estimation is based on the past experience of actual distribution, the net income of the current period, and the percentage specified in the Articles of Incorporation, and the estimates are recognized as operating costs or expenses in the current year. If the actual distributed amounts in the following year are different from the estimates, they shall be handled as changes in accounting estimates, and the difference will be recognized as the profit or loss of the following year, with the related information disclosed on the Market Observation Post System (MOPS).

In 2022, the Company's compensation to employees and remuneration to directors and supervisors amounted to NT$16,000 thousand and NT$1,800 thousand, respectively, and the related information is available on the MOPS. There was no difference between the actual distributed amounts and the estimated amounts.

The average employee benefit expenses of the Company were NT$860 thousand and NT$832 thousand in 2023 and 2022, respectively.

The average employee salary expenses of the Company were NT$725 thousand and NT$704 thousand in 2023 and 2022, respectively.

In 2023, the change in the Company's average employee salary expenses was 3.0%.

The information on the Company's salary and remuneration policy (including directors, supervisors, managerial officers and employees) is as follows:

1. Remuneration to directors

   The Company's general directors and independent directors' remuneration policy is determined according to their responsibilities, risks, invested time and other factors. In accordance with the Articles of Association of the Company, the remunerations to the Chairman, Vice-Chairman and directors of the Company shall be authorized to be determined by the Board of Directors according to the degree of their participation in the operation of the Company and the value of their contributions, taking into account both the domestic and foreign industry standards.

The Articles of Association also separately provide for a remuneration of the directors to be not more than 2% of the annual profit of the Company.

2. Remuneration to supervisor

Since June, 2020, the Company established an Audit Committee to replace the supervisor system.

3. Remuneration to the managerial officers

The remuneration of the managerial officers of the Company shall be considered by the Remuneration Committee and submitted to the Board of Directors for resolution based on their positions, contributions, the Company’s operating performance for the year and taking into account the Company’s future risks.

4. Compensation to the employees

Compensation to the employees includes monthly payment and unscheduled performance bonus, year-end bonus, and employee compensation based on the Company’s profitability. As stipulated in the Articles of Association, not less than 3% - 8% of the annual profit of the Company shall be used as the compensation to the employees.

In addition to setting competitive salary levels based on local labor market conditions, the Company’s (overseas) subsidiaries also provide annual bonuses to employees with reference to local laws and regulations, industry practices, and the overall operating performance of each subsidiary, in order to encourage employees to make long-term contributions and grow with the Company.

(XXVII) Income tax

1. Income tax expense

Income tax expenses for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Current income tax: | | |
| Income tax generated in current year | $ 52,870 | $ 48,783 |
| Adjustment on income tax of prior years | (4,073) | 735 |
| Deferred income tax | | |
| Deferred tax expense related to the generation and reversal of temporary differences | (18,621) | 36,196 |
| Income tax expense | $ 30,176 | $ 85,714 |

(1) The components of income tax expense recognized in profit or loss for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Net profit before tax | $ 240,987 | $ 439,856 |
| Tax amount calculated by applying statutory rate to net profit before tax | $ 48,197 | $ 87,971 |
| Influenced tax amount of adjusted items: | | |
| Impacts of items not included for calculation of taxable income | 11,491 | (22,441) |
| Income tax reduction | (14,662) | (16,747) |
| Tax levied on undistributed earnings | 7,844 | - |
| Adjustment on income tax of prior years | (4,073) | 735 |
| Net change in deferred income tax | | |
| Temporary differences | (18,621) | 36,196 |
| Income tax expense recognized in profit or loss | $ 30,176 | $ 85,714 |

(2) Income tax expenses recognized under other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement of defined benefit plan | $ (70) | $ 659 |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange difference on translation of financial statements of foreign operations | $ (3,330) | $ 4,353 |

2. Deferred tax assets and liabilities are classified as follows:

| | Deferred tax assets | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Exceeding amount of allowance for uncollectible accounts | $ 936 | $ 1,952 |
| Unrealized exchange losses | - | (21,495) |
| Unrealized loss on market value decline and obsolete and slow-moving inventories | 71,396 | 63,192 |
| Unrealized sales profit | 5,055 | 5,765 |
| Unrealized attendance bonus | 1,439 | 1,157 |
| Unrealized warranty expense | 767 | 1,054 |
| Exceeding amount of pension and actuarial loss | 1,382 | 1,785 |
| Exchange difference on translation of financial statements of foreign operations | 3,586 | 734 |
| Investment tax credit - Resource-poor areas | - | - |
| Others | 59 | 70 |
| | $ 84,620 | $ 54,214 |

| | Deferred income tax liabilities | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Unrealized exchange income or loss | $ 3,907 | $ - |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | 104,270 | 99,315 |
| | $ 108,177 | $ 99,315 |

| 2023 | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Exceeding amount of allowance for uncollectible accounts | $ 1,952 | $ (1,016) | $ - | $ 936 |
| Unrealized exchange losses | (21,495) | 21,495 | - | - |
| Unrealized loss on market value decline and obsolete and slow-moving inventories | 63,192 | 8,204 | - | 71,396 |
| Unrealized sales profit | 5,765 | (710) | - | 5,055 |
| Unrealized attendance bonus | 1,157 | 282 | - | 1,439 |
| Unrealized warranty expense | 1,054 | (287) | - | 767 |
| Exceeding amount of pension and actuarial loss | 1,785 | (473) | 70 | 1,382 |
| Exchange difference on translation of financial statements of foreign operations | 734 | - | 2,852 | 3,586 |
| Investment tax credit - Resource-poor areas | - | - | - | - |
| Others | 70 | (11) | - | 59 |
| Total deferred tax assets | $ 54,214 | $ 27,484 | $ 2,922 | $ 84,620 |
| | | | | |
| Unrealized exchange income or loss | $ - | $ 3,907 | $ - | $ 3,907 |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | 99,315 | 4,955 | - | 104,270 |
| Total deferred income tax liabilities | $ 99,315 | $ 8,862 | $ - | $ 108,177 |

| 2022 | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Exceeding amount of allowance for uncollectible accounts | $ 7,989 | $ (6,037) | $ - | $ 1,952 |
| Unrealized exchange losses | 8,536 | (30,031) | - | (21,495) |
| Unrealized loss on market value decline and obsolete and slow-moving inventories | 57,949 | 5,243 | - | 63,192 |
| Unrealized sales profit | 4,784 | 981 | - | 5,765 |
| Unrealized attendance bonus | 1,377 | (220) | - | 1,157 |
| Unrealized warranty expense | 871 | 183 | - | 1,054 |
| Exceeding amount of pension and actuarial loss | 2,544 | (100) | (659) | 1,785 |
| Exchange difference on translation of financial statements of foreign operations | 4,669 | - | (3,935) | 734 |
| Investment tax credit - Resource-poor areas | 14,250 | (14,250) | - | - |
| Others | 80 | (10) | - | 70 |
| Total deferred tax assets | $ 103,049 | $ (44,241) | $ (4,594) | $ 54,214 |
| | | | | |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | $ 107,360 | $ (8,045) | $ - | $ 99,315 |
| Total deferred income tax liabilities | $ 107,360 | $ (8,045) | $ - | $ 99,315 |

3. Information on investment tax credit:

The Company chose to apply the investment tax credit to the research and development expenditures under Article 10, paragraph 1, subparagraph 1 of the Statute for Industrial Innovation, and offset the amount of income tax payable for the current year up to a limit of 15% of the amount of research and development expenditures declared in accordance with the relevant regulations.

The Company chose to apply the tax credit method to investment in intelligent machinery, fifth-generation mobile communication systems and information security products or services by corporations or limited partnerships, and offset the amount of income tax payable for the current year up to a limit of 5% of the amount of expenditures for information security products declared in accordance with the relevant regulations.

4. As of December 31, 2022, all of the estimated income tax credits under the Rules of the Statute for Upgrading Industries have been offset by the Company in the current year.
5. The Company's business income tax returns for the year 2021 have been approved by the tax authority.

(XXVIII) Earnings per share

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (NT$) | |
| | Before tax | After tax | | Before tax | After tax |
| Basic earnings per share | | | | | |
| Profit for the year | $ 240,987 | $ 210,811 | 96,594 | $ 2.49 | $ 2.18 |
| Effect of potential dilutive common shares Employee bonus | | | 492 | | |
| Net profit attributable to ordinary shareholders plus effect of potential ordinary shares | $ 240,987 | $ 210,811 | 97,086 | $ 2.48 | $ 2.17 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (NT$) | |
| | Before tax | After tax | | Before tax | After tax |
| Basic earnings per share | | | | | |
| Profit for the year | $ 439,857 | $ 354,143 | 96,594 | $ 4.55 | $ 3.67 |
| Effect of potential dilutive common shares Employee bonus | | | 516 | | |
| Net profit attributable to ordinary shareholders plus effect of potential ordinary shares | $ 439,857 | $ 354,143 | 97,110 | $ 4.53 | $ 3.65 |

If the Company chooses to issue stock or cash as compensation to employees, for compensation to be paid by issuance of shares, the potential common shares shall be included in the weighted average number of outstanding shares when such shares have a dilutive effect for the purpose of calculating diluted earnings per share. In calculating the diluted earnings per share, the number of shares to be issued is based on the net value of the potential common share on the balance sheet date. The dilutive effect of such potential common shares shall continue to be taken into account in calculating the diluted earnings per share until the number of shares to be issued as employees' compensation is resolved at the shareholders' meeting in the following year.

(XXIX) Capital management

Based on the current industry characteristics of the business and the future development of the Company, as well as changes in the external environment and other factors, the Company plans for its working capital and dividend expense requirements in the future, so as to ensure that the Company can continue its operations, reward its shareholders and take into account the interests of other stakeholders, and maintain an optimal capital structure to enhance shareholders' value in the long term.

The Company's management reviews its capital structure on a regular basis and considers the costs and risks that may be associated with the above capital structure. In general, the Company adopts a prudent risk management strategy.

(XXX) Supplemental cash flow information

Investing activities with partial cash payments:

| | 2023 | 2022 |
|---|---|---|
| Purchase of property, plant and equipment | $ 43,208 | $ 19,071 |
| Add: Opening balance of payable on equipment | 1,086 | 2,312 |
| Less: Ending balance of payable on equipment | (212) | (1,086) |
| Cash paid during the year | $ 44,082 | $ 20,297 |

## VII. Related Party Transactions

(I) Names of related parties and relationship

| Related party name | Relationship with the Company |
|---|---|
| Goodway Machine Corp. | Parent company |
| Awea Mechantronic (Suzhou) Ltd. | Subsidiaries |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Subsidiaries |
| Yih Chuan Machinery Industry Co., Ltd. | Subsidiaries |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Subsidiaries |
| Yama Seiki USA, Inc. | Associates |
| Huahan Leasing Co., Ltd. | Associates |
| Allrich Cnc, Ltd. | Substantive related party |
| Hung Jiu Machine Co., Ltd. | Substantive related party |
| Turvo International Co., Ltd. | Other related parties |
| Boldwin Bio Co., Ltd. | Other related parties |

(II) Significant transactions with the related parties

1. Sales

| | 2023 | 2022 |
|---|---|---|
| Parent company | $ 8,705 | $ 1,396 |
| Subsidiaries | | |
| Awea Mechantronic (Suzhou) | 255,365 | 287,814 |
| Others | 158 | 7,910 |
| Associates | | |
| Yama Seiki | 299,505 | 240,190 |
| Others | - | 31,160 |
| Other related parties | 93 | 1 |
| | $ 563,826 | $ 568,471 |

The Company sells products of different specifications to related parties, and has no other customers to compare with. The collection terms for the Company's sales to related parties and general customers are based on the contracts.

2. Purchases

| | 2023 | 2022 |
|---|---|---|
| Parent company | $ 1,167 | $ 159 |
| Subsidiaries | 12,074 | 22,468 |
| Associates | 6,566 | - |
| Substantive related party | 4,204 | 3,573 |
| Other related parties | 35 | - |
| | $ 24,046 | $ 26,200 |

The transaction prices of the Company's purchases from related parties are similar to those of general transactions.

3. Notes receivable, net

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 852 | $ 1,030 |
| Subsidiaries | - | 30 |
| Other related parties | 6 | - |
| | $ 858 | $ 1,060 |

4. Accounts receivable, net

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 10 | $ 170 |
| Subsidiaries | | |
| Awea Mechantronic (Suzhou) | 78,173 | 35,351 |
| Others | 30 | - |
| Associates - Yama Seiki | 43,474 | 33,396 |
| Other related parties | 35 | - |
| | $ 121,722 | $ 68,917 |

5. Other receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Subsidiary - Yih Chuan | $ 61,626 | $ 70,042 |

6. Notes payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 267 | $ 146 |
| Subsidiaries | 1,821 | 11,256 |
| Substantive related party | 263 | 368 |
| Other related parties | 36 | |
| | $ 2,387 | $ 11,770 |

7. Accounts payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 129 | $ 21 |
| Subsidiaries | 1,209 | 709 |
| Substantive related party | 221 | 759 |
| | $ 1,559 | $ 1,489 |

8. Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 1,042 | $ 1,177 |
| Subsidiaries | 151 | 489 |
| Other related parties | 16 | 11 |
| | $ 1,209 | $ 1,677 |

9. Prepayments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 26 | $ 29 |
| Other related parties | - | 48 |
| | $ 26 | $ 77 |

10. Advance receipts

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 190 | $ 1,045 |

11. Current lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 499 | $ 1,190 |

12. Non-current lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ - | $ 499 |

13. Leases

| Rental income | 2023 | | 2022 | |
|---|---|---|---|---|
| Parent company | $ | 1,146 | $ | 1,110 |
| Other related parties | | 43 | | - |
| | $ | 1,189 | $ | 1,110 |

14. Others

| Other income | 2023 | | 2022 | |
|---|---|---|---|---|
| Parent company | $ | 369 | $ | 461 |
| Subsidiaries | | 1,514 | | - |
| Associates - Yama Seiki | | 16,970 | | 84 |
| | $ | 18,853 | $ | 545 |

| Operating costs - warranty expense | 2023 | | 2022 | |
|---|---|---|---|---|
| Subsidiaries | $ | 201 | $ | 659 |

| Manufacturing expenses | 2023 | | 2022 | |
|---|---|---|---|---|
| Parent company | $ | 714 | $ | 770 |
| Subsidiaries | | 234 | | 229 |
| Associates | | 461 | | - |
| Substantive related party | | 2,610 | | - |
| Other related parties | | 39 | | 66 |
| | $ | 4,058 | $ | 1,065 |

| Selling and marketing expenses | 2023 | | 2022 | |
|---|---|---|---|---|
| Parent company | $ | 2,430 | $ | 2,392 |
| Subsidiaries | | 85 | | 483 |
| Associates | | 7 | | 10 |
| Other related parties | | 70 | | 77 |
| | $ | 2,592 | $ | 2,962 |

| General and administrative expenses | 2023 | 2022 |
|---|---|---|
| Parent company | $ 3 | $ 44 |

| Interest income | 2023 | 2022 |
|---|---|---|
| Subsidiaries | $ 1,423 | $ 1,004 |

15. Loans to related parties (recorded as other receivables)

The actual expenditures of the Company's loans to related parties are as follows:

| | 2023 | 2022 |
|---|---|---|
| Subsidiary - Yih Chuan | $ 60,000 | $ 70,000 |

The Company's loans to related parties bear interest at the rates agreed between the Company and the related parties, and no impairment loss needs to be recognized through valuation.

16. Information on main management rewards

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | $ 7,237 | $ 16,763 |
| Post-employment benefits | 279 | 456 |
| | $ 7,516 | $ 17,219 |

Compensation for key management personnel is determined by the Remuneration Committee based on individual performance and the Company's operating results.

VIII. Pledged Assets

The Company's assets pledged as collaterals are summarized as follows:

| Name of asset | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Property, plant and equipment - land | $ 377,341 | $ 377,341 |
| Property, plant and equipment - property and building | 705,019 | 738,391 |
| Other current assets - restricted bank deposit | - | 187,946 |
| Financial assets measured at amortized cost - pledged time deposits | 10,137 | - |
| | $ 1,092,497 | $ 1,303,678 |

The financial assets measured at amortized cost are performance security guarantees in the deposit pledge provided by the Company to rent the land of Central Taiwan Science Park.

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

The Company's commitments and contingencies as of December 31, 2023 include:

(I) The amount of guaranteed bills issued by the Company was NT$2,786 thousand.

(II) The amount of guaranteed bills collected by the Company from the customers was NT$69,866 thousand.

(III) The amount of guaranteed bills collected by the Company from the manufacturers due to solar photovoltaic lease was NT$ 21,180 thousand.

(IV) The amount of guaranteed bills received by the Company for the construction of Dapumei Plant Phase II was NT$21,780 thousand.

(V) The amount of the loan guarantee notes collected by Company from the subsidiary - Yih Chuan Company were NT$ 70,000 thousand.

(VI) In order to guarantee the release of imported goods before paying tax to the Customs Administration, the Company has entrusted the First Bank to issue a guarantee letter at the amount of NT$2,000 thousand.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others:

Financial instruments

(I) Information on fair value of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value, including cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, bonds payable, long-term borrowings, and guarantee deposits received, are the reasonable approximates of their fair values. The interest rates of bonds payable (including those due within one year or under repurchase rights) and long-term loans (including those due within one year) approximate market interest rates; therefore, the carrying amounts should be a reasonable basis for approximation of fair values. For information on the fair value of financial instruments measured at fair value, please refer to Note XII(VI).

(II) Financial risk management objectives

The objectives of the Company's financial risk management are to manage the exchange rate risk, interest rate risk, credit risk and liquidity risk associated with its operating activities. In order to reduce relevant financial risks, the Company is committed to identifying, evaluating and avoiding market uncertainties, so as to reduce the potential adverse impact of market changes on the Company's financial performance.

Significant financial activities of the Company are reviewed by the Board of Directors in accordance with relevant norms and internal control systems. During the execution period of the financial plan, the Company must comply with the relevant financial operating procedures regarding the overall financial risk management and the division of rights and responsibilities.

(III) Market risks

The Company is primarily exposed to market risks arising from changes in foreign currency exchange rates and interest rates, and uses certain derivative financial instruments to manage the related risks.

1. Foreign currency exchange rate risk

   Some of the Company's cash inflows and outflows are in foreign currencies, which has a partially natural hedging effect; the Company's exchange rate risk management is for hedging purpose, other than for profit purpose.

   The exchange rate risk management strategy is to periodically review net parts of the assets and liabilities in various currencies, and make risk management of such parts.

The carrying amounts of the Company's foreign-currency-denominated monetary assets and monetary liabilities at the end of the reporting period are summarized below:

Unit: Foreign currency/ NT$ thousand

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currencies | Exchange rate (Note) | NTD | Rate of change | Profit and loss impact | Equity impact |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | 27,002 | 30.655 | 827,746 | 5% | 41,387 | - |
| EUR | 5,352 | 33.78 | 180,791 | 5% | 9,040 | - |
| CNY | 29,033 | 4.302 | 124,900 | 5% | 6,245 | - |
| Non-monetary items | | | | | | |
| USD | - | - | - | - | - | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 46 | 30.655 | 1,410 | 5% | 71 | - |
| JPY | 6,602 | 0.2152 | 1,421 | 5% | 71 | - |
| CNY | 35 | 4.302 | 151 | 5% | 8 | - |
| Non-monetary items | | | | | | |
| USD | 832 | 30.655 | 25,505 | - | - | - |
| EUR | 1 | 33.78 | 34 | - | - | - |

Unit: Foreign currency/ NT$ thousand

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currencies | Exchange rate (Note) | NTD | Rate of change | Profit and loss impact | Equity impact |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | 56,209 | 30.66 | 1,723,368 | 5% | 86,168 | - |
| EUR | 3,012 | 32.52 | 97,950 | 5% | 4,898 | - |
| CNY | 8,631 | 4.383 | 37,830 | 5% | 1,892 | - |
| Non-monetary items | | | | | | |
| USD | - | - | - | - | - | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 148 | 30.66 | 4,538 | 5% | 227 | - |
| JPY | 2,869 | 0.2304 | 661 | 5% | 33 | - |
| CNY | 90 | 4.383 | 394 | 5% | 20 | - |
| Non-monetary items | | | | | | |
| USD | 1,551 | 30.66 | 47,554 | - | - | - |

(Note) Based on the exchange rate on the balance sheet date.

2. Interest rate risk

Interest rate risk is the risk of changes in fair value of financial instruments due to changes in market interest rates. The Company's interest rate risk arises mainly from borrowings at variable interest rates.

If the borrowings at floating rate at the end of the reporting period are held for the entire reporting period, a 1% increase in interest rates would result in a decrease in net income of NT$15,450 thousand.

3. Other price risk

The price risk of the Company's equity instrument investments arises mainly from the financial assets classified as measured at fair value through profit or loss, and the financial assets classified as measured at fair value through other comprehensive income.

If the price of equity instruments at the end of the reporting period decreases by 10%, the Company's income would decrease by NT$53,892 thousand and NT$38,746 thousand in 2023 and 2022, respectively.

(IV) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company's credit risk mainly comes from receivables arising from operating activities and bank deposits arising from investment activities. The operation-related credit risks and the financial credit risks are under separate management.

1. Operation-related credit risks

In order to maintain quality of accounts receivable, the Company has established the procedure for management of operation-related credit risks. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each new customer. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

The risk assessment of individual customers takes into account many factors that may affect the customers' ability to pay, including the customers' financial position, ratings of credit rating agency, the Company's internal credit rating, historical transaction records and current economic conditions, etc. The Company also utilizes certain credit enhancement tools, such as credit insurance, when appropriate, to minimize the credit risk of specific customers.

As of December 31, 2023 and 2022, the balance of accounts receivable of the top ten customers accounted for 84% and 80% of the Company’s balance of accounted receivable respectively, and the credit concentration risk of the remaining accounts receivable was relatively insignificant.

2. Financial credit risk

The credit risk of bank deposits is measured and monitored by the financial departments of the Company. As the Company’s trading partners and performing parties are banks with good credit and financial institutions, corporate organizations and government agencies with investment grade or above, without significant concern about performance of the contract, therefore, there is no significant credit risk.

(V) Liquidity risk

The Company’s objective in managing liquidity risk is to maintain cash and cash equivalents and sufficient bank facilities required for maintaining operations, so as to ensure sufficient financial resilience of the Company.

The following table summarizes the financial liabilities of the Company during the agreed repayment period by maturity date and undiscounted maturity amount:

| | December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 to 3 months | | 4 to 6 months | | 7 to 12 months | | Over 1 years | | Total | |
| Non-derivative financial liabilities | | | | | | | | | | |
| Short-term borrowings | $ | 1,165,000 | $ | 185,000 | $ | 115,000 | $ | - | $ | 1,465,000 |
| Short-term notes and bills payable | | 79,987 | | - | | - | | - | | 79,987 |
| Notes payable (including related parties) | | 206,408 | | 57,940 | | - | | - | | 264,348 |
| Accounts payable (including related parties) | | 84,637 | | 40 | | 137 | | 239 | | 85,053 |
| Other payables (including related parties) | | 88,161 | | - | | - | | - | | 88,161 |
| Provisions | | 11,032 | | - | | - | | - | | 11,032 |
| Lease liabilities (including related parties) | | 334 | | 235 | | 69 | | 280 | | 918 |
| Guarantee deposits received | | 428 | | - | | - | | - | | 428 |
| | $ | 1,635,987 | $ | 243,215 | $ | 115,206 | $ | 519 | $ | 1,994,927 |

| | December 31, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 to 3 months | | 4 to 6 months | | 7 to 12 months | | Over 1 years | | Total | |
| Non-derivative financial liabilities | | | | | | | | | | |
| Short-term borrowings | $ | 1,530,000 | $ | 235,000 | $ | 115,000 | $ | - | $ | 1,880,000 |
| Short-term notes and bills payable | | 289,641 | | - | | - | | - | | 289,641 |
| Notes payable (including related parties) | | 326,284 | | 78,991 | | - | | - | | 405,275 |
| Accounts payable (including related parties) | | 72,981 | | 282 | | 234 | | 820 | | 74,317 |
| Other payables (including related parties) | | 90,783 | | - | | - | | - | | 90,783 |
| Provisions | | 11,055 | | - | | - | | - | | 11,055 |
| Lease liabilities (including related parties) | | 2,845 | | 2,851 | | 5,724 | | 918 | | 12,338 |
| Guarantee deposits received | | 628 | | - | | - | | - | | 628 |
| | $ | 2,324,217 | $ | 317,124 | $ | 120,958 | $ | 1,738 | $ | 2,764,037 |

(VI) Fair value

1. For information on the fair value of the Company's financial instruments not measured at fair value, please refer to Note XII (I).
2. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
   (1) Level 1: The inputs to this level are publicly quoted prices (unadjusted) in active markets for identical assets or liabilities. Active market means a market that meets all of the following conditions: the products traded in the market are homogeneous; willing buyers and sellers are readily available in the market, and the price information is readily available to the public.
   (2) Level 2: the input values of this level are observable prices other than publicly quoted prices in Level 1, including direct (such as prices) or indirect (such as derived from prices) observable input values obtained from the active market.
   (3) Level 3: the input values of this level are not inputs for assets or liabilities that are based on observable market data.

   For the years ended December 31, 2023 and 2022, the Company had no transfer between Level 1 and Level 2.

   For the years ended December 31, 2023 and 2022, the Company had no transfer into or out from Level 3.
3. The methods and assumptions the Company used to measure fair value are as follows:
   (1) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined by reference to quoted market prices.
   (2) The fair values of other financial liabilities are determined using generally accepted valuation models based on discounted cash flow analysis.
4. Fair value hierarchy:

   The fair value hierarchy of the Company's financial assets measured at fair value is as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTPL | | | | |
| Listed and OTC stocks | $ 536,929 | $ - | $ - | $ 536,929 |
| Financial assets at FVTOCI | | | | |
| Listed and OTC stocks | 1,991 | - | - | 1,991 |
| | $ 538,920 | $ - | $ - | $ 538,920 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTPL | | | | |
| Listed and OTC stocks | $ 377,002 | $ - | $ - | $ 377,002 |
| Financial assets at FVTOCI | | | | |
| Listed and OTC stocks | 10,458 | - | - | 10,458 |
| | $ 387,460 | $ - | $ - | $ 387,460 |

## XIII. Additional Disclosures

(I) Significant transactions information:

1. Loaning funds to others: Refer to Table 1.
2. Provision of endorsements and guarantees to others: None.
3. Holding of marketable securities at the end of the period (not including investment in subsidiaries, associates and joint ventures)
4. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to Table 3.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;
9. Derivative transactions: Please refer to Note XII for details.

(II) Information on investees: Refer to Table 4.

(III) Information on Investment in Mainland China: Refer to Table 5.

(IV) Information on major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the equity: Refer to Table 6.

XIV. Segment Information

The Company has disclosed segment information in the consolidated financial statements in accordance with IFRS 8 “Operating Segments”.

Table 1: Loaning Funds to Others

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

| No. (Note 1) | Companies loaning fund | Companies that fund is loaned to | Transaction items | Related party | Maximum amount of the current period (Note 3) | Ending balance (Note 4) | Amount drawn | Interest rate | Type of loans | Amount of transaction | Cause for necessity of short-term financing | Amount of allowance for uncollectible accounts | Collateral | | Loaning limit to individual objects (Note 2) | Total loaning limit to others (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | Other receivables - related parties | Yes | 150,000 | 70,000 | 60,000 | 2.05% | With necessity of short-term financing | 140 | Operating turnover | - | Promissory note | 70,000 | 329,385 | 1,317,541 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | Other receivables - related parties | Yes | 107,930 (CNY 25,000) | 107,930 (CNY 25,000) | 43,020 | 3.45% ~ 3.55% | With necessity of short-term financing | - | Operating turnover | - | - | - | 150,752 | 150,752 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Other receivables - related parties | Yes | 29,216 (CNY 6,700) | 21,765 (CNY 5,000) | - | 3.45% | With necessity of short-term financing | - | Operating turnover | - | - | - | 150,752 | 150,752 |

Note 1: The explanation for the numbering column is as follows:

(1) Fill in 0 for issuer.

(2) The investees are coded sequentially beginning from “1” by each individual company.

Note 2: The loaning limit to individual objects shall not exceed 10% of their net value of the current period, and the total loaning limit shall not exceed 40% of their net value of the current period.

Note 3: The maximum balance of loaning funds to others of the current year.

Note 4: It is the loaning limit approved by the Board of Directors.

Table 2: Holding of Marketable Securities at the End of the Period (Not Including Investment in Subsidiaries, Associates and Joint Ventures)

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

| Held company name | Marketable securities type and name | Relationship with the company | Financial statement account | December 31, 2023 | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Carrying amount | Ownership (%) | Fair value (Note 1) | |
| AWEA Mechantronic Co., Ltd. | Stock- AUTECH EUROPE | - | Financial assets at FVTPL - non-current | 50 | - (Note 2) | 5.00% | - | |
| AWEA Mechantronic Co., Ltd. | Stock- P-Duke Technology Co., Ltd. | - | Financial assets at FVTPL - current | 1,063,852 | 102,555 | 1.29% | 102,555 | |
| AWEA Mechantronic Co., Ltd. | Stock- Turvo International Co., Ltd. | Other related parties | Financial assets at FVTPL - current | 2,873,000 | 399,347 | 4.77% | 399,347 | |
| AWEA Mechantronic Co., Ltd. | Stock- Eagle Cold Storage Enterprise Co., Ltd. | - | Financial assets at FVTPL - current | 968,000 | 29,040 | 0.81% | 29,040 | |
| AWEA Mechantronic Co., Ltd. | Stock- Taiwan Semiconductor Manufacturing Company Limited | - | Financial assets at FVTPL - current | 10,000 | 5,930 | - | 5,930 | |
| AWEA Mechantronic Co., Ltd. | Stock- Zeng Hsing Industrial Co., Ltd. | - | Financial assets at FVTPL - current | 534 | 57 | - | 57 | |
| AWEA Mechantronic Co., Ltd. | Stock- Fittech Co., Ltd. | - | Financial assets at FVOCI - non-current | 29,846 | 1,991 | 0.04% | 1,991 | |

Note 1: If the investee company does not have a quoted market price, the net equity value shall be presented.

Note 2: In 1996, due to value impairment and little hope of recovery of the investee companies, all were recognized as losses.

Table 3: Purchases or Sales of Goods from or to Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

| Company name | Counterparty | Relationship | Transaction details | | | | Abnormal transaction (Note 1) | | Notes/ accounts payable or receivable | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ sales | Amount | % to Total | Payment terms | Unit price | Payment terms | Ending balance | % to total notes and accounts receivable (payable) | |
| AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | Subsidiaries under sub-subsidiaries | Sales | $ 255,365 | 16.24% | 3 months after shipped | - | - | $ 78,173 | 16.07% | - |
| AWEA Mechantronic Co., Ltd. | Yama Seiki USA, Inc. | Subsidiaries | Sales | $ 299,505 | 19.05% | 3 months after shipped | - | - | $ 43,474 | 8.94% | - |

Note 1: Since the products sold by the Company to its related parties AWEA Suzhou and Yama Seiki have different features, there are no other customers available for comparison; in addition, its collection terms and the collection terms for general customers are determined by contract.

Table 4: Names, Locations and Other Information of Investee Companies (Not Including Investees in Mainland China)

December 31, 2023 Unit: NT$/ Foreign currency thousand (unless stated otherwise)

| Investor company | Investee company | Location | Main business activities | Initial investment amount | | Held at the end of period | | | Current profit (loss) of the invested company | Recognized investment gains (losses) in the current period (Note 1) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of shares | Ownership (%) | Carrying amount | | | |
| AWEA Mechantronic Co., Ltd. | B-Way (Cayman) Co., Ltd. | Cayman Islands | International investment and international trade | $ 332,212 | $ 332,212 | 10,665,029 | 100.00% | $ 694,302 | $ 57,841 | $ 57,652 | (Note 1) |
| AWEA Mechantronic Co., Ltd. | Yama Seiki USA, Inc. | USA | Machinery sales and installation, international trade | 53,968 | 53,968 | 584,192 | 28.58% | 108,435 | 24,042 | 6,901 | - |
| AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | Taiwan | Manufacturing of machinery and equipment, design of products, wholesale of machinery, and retail of mechanical appliances | 264,592 | 264,592 | 5,914,800 | 60.00% | 141,254 | (51,263) | (30,757) | (Note 1) |
| AWEA Mechantronic Co., Ltd. | Huahan Leasing Co., Ltd. | Taiwan | Rental of machinery and equipment | 7,333 | 7,333 | 666,667 | 13.33% | 8,278 | 2,080 | 277 | - |
| B-Way (Cayman) Co., Ltd. | Billion-Way (Cayman) Co., Ltd. | Cayman Islands | International investment and international trade | USD 12,830 (NTD 393,304) | USD 12,830 (NTD 393,304) | 12,829,840 | 100.00% | 706,493 | 58,052 | 58,052 | (Note 1) |
| Yih Chuan Machinery Industry Co., Ltd. | Axtron Int'l Investment Co., Ltd. | USA - Marshall Islands | International investment and international trade | 200,000 | 200,000 | 50,000 | 100.00% | 205,164 | (21,254) | (21,254) | (Note 1) |
| Axtron Int'l Investment Co., Ltd. | Axtron Int'l Investment Limited | Hong Kong | International investment and international trade | HKD 10 (NTD 39) | HKD 10 (NTD 39) | 10,000 | 100.00% | 205,163 | (21,254) | (21,254) | (Note 1) |

Note 1: It has been written off.

Table 5: Information on Investments in Mainland China

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

1. Name of the investee company in Mainland China, main business items, paid-in capital, method of investment, inward/outward remittance of funds, percentage of ownership, carrying value of investment, and gain or loss on repatriated investment:

| Name of investee | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated investment amount remitted from Taiwan at the beginning of the period | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for current period | | Accumulated investment amount remitted from Taiwan at the end of the period | Current profit and loss of the invested company | Ownership percentage of direct or indirect investment | Recognized investment gains and losses in the current period (Note 2) | Carrying amount of investment as of December 31, 2023 | Accumulated inward remittance of earnings as of December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Machinery sales and installation, business management consultation, and international trade | USD 2,500 (NTD 76,638) (Note 3) | 2 | USD 2,494 (NTD 76,454) (Note 3) | - | - | USD 2,494 (NTD 76,454) (Note 3) | $ 7,597 | 100% | $ 8,116 | $148,859 | USD 15,438 (NTD 479,279) (Note 3) |
| Awea Mechantronic (Suzhou) Ltd. | Machinery sales, manufacturing and installation, and international trade | USD 11,400 (NTD 349,467) (Note 3) | 2 | USD 10,400 (NTD 318,812) (Note 3) | - | - | USD 10,400 (NTD 318,812) (Note 3) | 58,604 | 100% | 58,604 | 544,304 | USD 4,706 CNY 49,580 (NTD 362,259) |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Machinery sales, manufacturing and installation, and international trade | USD 2,510 (NTD 76,944) (Note 3) | 2 | USD 2,510 (NTD 76,944) (Note 3) | - | - | USD 2,510 (NTD 76,944) (Note 3) | (21,254) | 100% | (21,254) | 205,163 | - |

2. Limit on investments in Mainland China:

| Name of investor | Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period | Investment amounts authorized by Investment Review Committee, MOEA | Limit on investments in Mainland China imposed by the Investment Review Committee, MOEA |
|---|---|---|---|
| The Company | $ 395,266 (Note 3) (USD 12,894) | $ 426,105 (Note 3) (USD 13,900) | $ 1,976,311 (Note 5) |
| Yih Chuan Machinery Industry Co., Ltd. | $ 76,944 (Note 3) (USD 2,510) | $ 76,944 (Note 3) (USD 2,510) | $ 140,612 (Note 5) |

Note 1: Investment methods are divided into the following three types, just enter the code:

(1) Direct investment in Mainland China.

(2) Indirect investment in Mainland China through third-region companies.

(3) Other methods.

Note 2: The basis for recognition of investment gains and losses is the financial statements audited by CPAs for the same period.

Note 3: The NT$ amount is translated by the exchange rate on the balance sheet date.

Note 4: Dawei Mechantronic (Suzhou) Co., Ltd. was merged with AWEA Mechantronic (Suzhou) Ltd. in September, 2020, and AWEA Mechantronic (Suzhou) Ltd. is the surviving company. The merger was approved by the Investment Review Committee, MOEA under the letter No. 11000165350 in July 2021.

Note 5: The cumulative amount of the investor’s investment in Mainland China shall not exceed 60% of the net value.

3. Significant direct or indirect transactions through a third region business with the investee in the Mainland China: please refer to Table 4 for details.

Table 6: Information on Major Shareholders

December 31, 2023

| Name of major shareholders | Number of shares held | Ownership (%) |
|---|---|---|
| Goodway Machine Corp. | 47,962,311 | 49.65 % |
| De-Hua Yang | 9,031,403 | 9.34 % |
| JiaJin Investment Co., Ltd. | 6,256,388 | 6.47 % |

V. The consolidated financial statements of the parent company and its subsidiaries reviewed and certified by CPAs in the latest year

## Independent Auditors' Report

To AWEA Mechantronic Co., Ltd.:

### Audit Opinion

We have audited the accompanying consolidated balance sheets of AWEA Mechantronic Co., Ltd. and its Subsidiaries as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of 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 AWEA Mechantronic Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022 and for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, based on our audit results and the audit reports of other certified public accountants (CPAs).

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit 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 for the year ended December 31, 2023 of AWEA Mechantronic Co., Ltd. and its subsidiaries. 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.

Key audit matters for the consolidated financial statements for the year ended December 31, 2023 of AWEA Mechantronic Co., Ltd. and its subsidiaries are stated as follows:

Revenue recognition

The main source of revenue for AWEA Mechantronic Co., Ltd. and its subsidiaries is the sales of machining centers. In 2023, the recognized revenue was NT$2,241,199 thousand, which accounted for about 95% of the total operating revenue. Since the sales locations include Taiwan, Mainland China, Italy and the United States, the sales terms vary by customers, the risks of ownership and the time of compensation transfer shall be determined in accordance with the terms of the customer's orders or contracts, and the time and amount of revenue recognition can have a significant impact on the financial statements. Therefore, we have identified revenue recognition as one of the key audit matters.

For the accounting policies related to revenue recognition, please refer to Note IV to the consolidated financial statements.

We evaluated the reasonableness of the sales revenue recognition, performed the cut-off point test, and performed internal control tests to understand the design and implementation of the sales revenue recognition process and the related control system of AWEA Mechantronic Co., Ltd. and its subsidiaries. In addition, we conducted related control tests on the sales and collection cycles, sampled and checked the sales contracts to confirm the correctness of the information in the accounting system, performed reconciliations between the general ledger system and the sales system, and assessed whether the time of revenue recognition was in accordance with the relevant reporting regulations.

Evaluation of inventories

AWEA Mechantronic Co., Ltd. and its subsidiaries mainly engage in the design, manufacture and sales of special machines, automation equipment and computer-controlled tool machines. As of December 31, 2023, the total inventories, allowance for market value decline and loss on obsolete and slow-moving inventories were NT$1,950,844 thousand and NT$502,070 thousand, respectively. Inventories of AWEA Mechantronic Co., Ltd. and its subsidiaries are measured at cost and net realizable value. Allowance for market value decline and loss on obsolete and slow-moving inventories are allocated for inventories aged over a certain period of time or individually identified as obsolete. Due to the intense competition in the spare parts market and the varying speeds of obsolescence of different products, the risks of loss on decline in the market value or obsolete inventories are relatively high. The net realizable values used for obsolete inventories and their evaluation usually involve subjective judgment and are therefore highly uncertain. Considering the significant impact of inventories and their allowance for market value decline and loss on obsolete and slow-moving inventories on financial statements, we have identified allowance for market value decline and loss on obsolete and slow-moving inventories as one of the key audit matters.

For the accounting policies related to inventories, please refer to Note IV to the consolidated financial statements; for significant accounting estimates and assumptions used in the evaluation of inventories, please refer to Note V to the consolidated financial statements.

We understood, evaluated, and tested the design and implementation of the internal control system related to inventory management, obtained the evaluation data on the lower of cost or net realizable value of inventories compiled by management authority, sampled and estimated the selling price information to the most recent sales records, and assessed the basis of management authority’s estimate of net realizable value and its reasonableness; obtained an inventory aging statement, and assessed the appropriateness of the policy on provision for allowance for market value decline and loss on obsolete and slow-moving inventories.

**Other Matters**

In the above consolidated financial statements, the financial statements of YAMA SEIKI USA, INC. and Huahan Leasing Co., Ltd., which are investments accounted for using equity method, were not audited by us, but were audited by other CPAs entrusted by the Company. For the years ended December 31, 2023 and 2022, the balances of investments accounted for using equity method were NT$116,713 thousand and NT$109,850 thousand, respectively, which both accounted for 2% of the Company's total assets. For the years ended December 31, 2023 and 2022, the share of profit or loss of associates and joint ventures accounted for using equity method were NT$7,178 thousand and NT$7,782 thousand, respectively, which accounted for 3% and 2% of the Company's net profit before tax, respectively.

The Company has prepared the parent company only financial statements for 2023 and 2022, and we have issued an audit report containing our unqualified opinion plus the audit report issued by other CPAs as in the section of “Other matters” for reference.

**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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 AWEA Mechantronic Co., Ltd.’s and its subsidiaries’ 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 AWEA Mechantronic Co., Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the AWEA Mechantronic Co., Ltd.’s and its subsidiaries’ 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 auditing standards in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

I. 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. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.

II. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AWEA Mechantronic Co., Ltd.'s and its subsidiaries' internal control.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.

IV. 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 AWEA Mechantronic Co., Ltd.'s and its subsidiaries' 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause AWEA Mechantronic Co., Ltd. and its subsidiaries to cease to continue as a going concern.

V. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient 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 audit of such the Group. We remain solely responsible for our audit opinion on the consolidated financial statements.

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 AWEA Mechantronic Co., Ltd. and its subsidiaries for the year ended December 31, 2023 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.

EnWise CPAs & Co.
9F-1, No. 130, Taiyuan North Road, Taichung City
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EnWise CPAs & Co.

| | |
|---|---|
| CPA Guei-Duan Chen | CPA Chang-Yun Yi |
| Approval number of the Securities and Futures Management Committee, Ministry of Finance<br>(1990) Tai-Cai-Zheng (I) No. 27495 | Approval number of the Securities and Futures Management Committee, Ministry of Finance<br>(2003) Tai-Cai-Zheng (VI) No. 121986 |

March 5, 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 audit such consolidated financial statements are those generally applied in the Republic of China.*
*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets

December 31, 2023 and 2022

Unit: NT$ thousand

| Code | Items | Notes | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|---|---|
| | Current assets | | | | | |
| 1100 | Cash and cash equivalents | IV and VI | $ 866,173 | 15 | $ 1,132,171 | 17 |
| 1110 | Financial assets at FVTPL - current | IV and VI | 536,929 | 9 | 377,002 | 5 |
| 1150 | Notes receivable, net | IV and VI | 157,100 | 3 | 381,640 | 6 |
| 1160 | Notes receivable due from related parties, net | IV and VII | 858 | - | 4,274 | - |
| 1170 | Accounts receivable, net | IV and VI | 350,642 | 6 | 457,612 | 7 |
| 1180 | Account receivables due from related parties, net | IV and VII | 43,741 | 1 | 33,566 | - |
| 1200 | Other receivables | | 11,698 | - | 10,766 | - |
| 1210 | Other receivables - related parties | VII | - | - | - | - |
| 1220 | Current tax assets | IV | 26 | - | 143 | - |
| 130x | Inventories | IV and VI | 1,448,774 | 24 | 1,607,007 | 24 |
| 1410 | Prepayments | VII | 42,490 | 1 | 57,859 | 1 |
| 1470 | Other current assets | VIII | 344,423 | 6 | 542,186 | 8 |
| 11xx | Total current assets | | 3,802,854 | 65 | 4,604,226 | 68 |
| | Non-current assets | | | | | |
| 1517 | Financial assets at FVOCI - non-current | IV and VI | 1,991 | - | 10,458 | - |
| 1535 | Financial assets measured at amortized cost - non-current | IV, VI and VIII | 10,137 | - | - | - |
| 1550 | Investments accounted for using equity method | IV and VI | 116,713 | 2 | 109,850 | 2 |
| 1600 | Property, plant and equipment | IV, VI, VII and VIII | 1,741,772 | 29 | 1,797,473 | 26 |
| 1755 | Right-of-use assets | IV, VI and VIII | 114,477 | 2 | 132,035 | 2 |
| 1780 | Intangible assets | IV and VI | 12,656 | - | 10,368 | - |
| 1840 | Deferred tax assets | IV and VI | 140,108 | 2 | 101,283 | 1 |
| 1915 | Prepayments for equipment | | 3,200 | - | 300 | - |
| 1920 | Guarantee deposits paid | | 3,965 | - | 7,146 | - |
| 1931 | Long-term notes receivable, net | IV | 7,413 | - | 12,115 | 1 |
| 1937 | Overdue receivables | IV and VI | - | - | - | - |
| 1990 | Other non-current assets - others | | 6,605 | - | 6,544 | - |
| 15xx | Total non-current assets | | 2,159,037 | 35 | 2,187,572 | 32 |
| 1xxx | Total assets | | $ 5,961,891 | 100 | $ 6,791,798 | 100 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets

December 31, 2023 and 2022

Unit: NT$ thousand

| Code | Items | Notes | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|---|---|
| | Current liabilities | | | | | |
| 2100 | Short-term borrowings | VI and VIII | $ 1,576,852 | 26 | $ 1,954,949 | 29 |
| 2110 | Short-term notes and bills payable | VI | 79,987 | 1 | 289,641 | 4 |
| 2130 | Contract liabilities | IV and VI | 172,215 | 3 | 225,013 | 3 |
| 2150 | Notes payable | | 262,181 | 4 | 393,849 | 6 |
| 2160 | Notes payable - related parties | VII | 566 | - | 514 | - |
| 2170 | Accounts payable | | 165,270 | 3 | 201,312 | 3 |
| 2180 | Accounts payable - related parties | VII | 350 | - | 799 | - |
| 2200 | Other payables | VI | 112,178 | 2 | 128,889 | 2 |
| 2220 | Other payables - related parties | VII | 1,339 | - | 2,007 | - |
| 2230 | Current tax liabilities | IV | 52,116 | 1 | 64,623 | 1 |
| 2250 | Current provisions | IV and VI | 12,935 | - | 12,445 | - |
| 2280 | Current lease liabilities | IV, VI and VII | 638 | - | 11,420 | - |
| 2310 | Advance receipts | VII | 1,066 | - | 934 | - |
| 2399 | Other current liabilities - others | | 1,077 | - | 2,099 | - |
| 21xx | Total current liabilities | | 2,438,770 | 40 | 3,288,494 | 48 |
| | Non-current liabilities | | | | | |
| 2570 | Deferred income tax liabilities | IV and VI | 116,831 | 2 | 112,224 | 2 |
| 2580 | Non-current lease liabilities | IV, VI and VII | 280 | - | 918 | - |
| 2630 | Long-term deferred revenue | | 9,533 | - | 10,793 | - |
| 2640 | Net defined benefit liability - non-current | IV and VI | 6,973 | - | 8,991 | - |
| 2645 | Guarantee deposits received | | 1,911 | - | 2,183 | - |
| 25xx | Total non-current liabilities | | 135,528 | 2 | 135,109 | 2 |
| 2xxx | Total Liabilities | | 2,574,298 | 42 | 3,423,603 | 50 |
| | Equity attributable to owners of the parent | | | | | |
| 3100 | Share capital | VI | | | | |
| 3110 | Common stock | | 965,942 | 16 | 965,942 | 14 |
| 3200 | Capital surplus | VI | | | | |
| 3211 | Capital surplus - additional paid-in capital arising from ordinary share | | 6,124 | - | 6,124 | - |
| 3213 | Capital surplus - Conversion premium of convertible bonds | | 57,468 | 1 | 57,468 | 1 |
| 3240 | Capital surplus - Gains from disposal of assets | | 4 | - | 4 | - |
| 3280 | Capital surplus - others | | 31,920 | 1 | 31,920 | - |
| 3300 | Retained earnings | VI | | | | |
| 3310 | Legal reserve | | 562,966 | 9 | 527,176 | 8 |
| 3320 | Special reserve | | 98,077 | 2 | 98,077 | 1 |
| 3350 | Unappropriated earnings | | 1,606,748 | 28 | 1,595,597 | 24 |
| 3400 | Other equity | VI | | | | |
| 3410 | Exchange difference on translation of financial statements of foreign operations | | (32,016) | (1) | (18,699) | - |
| 3420 | Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income | | (3,381) | - | (10,933) | - |
| 31xx | Total equity attributable to owners of the parent | | 3,293,852 | 56 | 3,252,676 | 48 |
| 36xx | Non-controlling interests | VI | 93,741 | 2 | 115,519 | 2 |
| 3xxx | Total equity | | 3,387,593 | 58 | 3,368,195 | 50 |
| | Total liability and equity | | $ 5,961,891 | 100 | $ 6,791,798 | 100 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand, except earnings per share

| Code | Items | Notes | 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | VI and VII | $ 2,361,917 | 100 | $ 3,100,517 | 100 |
| 5000 | Operating costs | VI and VII | (2,002,794) | (85) | (2,432,617) | (78) |
| 5900 | Gross profit | | 359,123 | 15 | 667,900 | 22 |
| 5920 | Realized (Unealized) gain from sale | | (210) | - | (4,900) | - |
| 5950 | Gross profit, net | | 358,913 | 15 | 663,000 | 22 |
| | Operating expenses | | | | | |
| 6100 | Selling and marketing expenses | | (149,424) | (6) | (188,205) | (6) |
| 6200 | General and administrative expenses | | (129,974) | (6) | (128,520) | (4) |
| 6300 | Research and development expenses | | (53,729) | (2) | (61,671) | (2) |
| 6450 | Expected credit impairment gains (losses) | | 7,214 | - | 13,621 | - |
| 6000 | Total operating expenses | | (325,913) | (14) | (364,775) | (12) |
| 6900 | Operating profit | | 33,000 | 1 | 298,225 | 10 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 30,129 | 1 | 15,972 | 1 |
| 7010 | Other income | VI | 65,466 | 4 | 46,011 | 2 |
| 7020 | Other gains and losses | IV and VI | 132,086 | 6 | 117,800 | 4 |
| 7050 | Finance costs | VI | (32,760) | (1) | (26,002) | (1) |
| 7060 | Share of profit or loss of associates and joint ventures accounted for using equity method | | 7,178 | - | 7,782 | - |
| 7000 | Total non-operating income and expenses | | 202,099 | 10 | 161,563 | 5 |
| 7900 | Net profit before tax | | 235,099 | 11 | 459,788 | 15 |
| 7950 | Income tax income (expense) | IV and VI | (44,793) | (2) | (110,501) | (4) |
| 8200 | Profit for the year | | 190,306 | 9 | 349,287 | 11 |
| | Other comprehensive income | | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurement of defined benefit plan | | (351) | - | 3,296 | - |
| 8316 | Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income | | (1,486) | - | (13,848) | - |
| 8349 | Income taxes related to the items not reclassified | | 70 | - | (659) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8361 | Exchange difference on translation of financial statements of foreign operations | | (18,238) | (2) | 23,155 | - |
| 8399 | Income tax related to items that may be reclassified | | 3,648 | (1) | (4,631) | - |
| 8300 | Other comprehensive (loss) income for the year | | (16,357) | (3) | 7,313 | - |
| 8500 | Total comprehensive income | | $ 173,949 | 6 | $ 356,600 | 11 |
| 8600 | Net profit (loss) attributable to: | | | | | |
| 8610 | Owners of the parent company (net profit/ loss) | | $ 210,811 | 9 | $ 354,143 | 11 |
| 8620 | Non-controlling interests (net profit/ loss) | | (20,505) | - | (4,856) | - |
| | | | $ 190,306 | 9 | $ 349,287 | 11 |
| 8700 | Total comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent company (comprehensive income) | | $ 195,727 | 7 | $ 360,342 | 11 |
| 8720 | Non-controlling interests (comprehensive income) | | (21,778) | - | (3,742) | - |
| | | | $ 173,949 | 7 | $ 356,600 | 11 |
| | Earnings per share | | | | | |
| 9750 | Basic earnings per share | | $ 2.18 | | $ 3.67 | |
| 9850 | Diluted earnings per share | | $ 2.17 | | $ 3.65 | |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statement of Changes in Equity

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand

| | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | | Retained earnings | | | Other equity items | | | | |
| Items | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange difference on translation of financial statements of foreign operations | Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income | Total equity attributable to owners of the parent | Non-controlling interests | Total equity |
| Balance at January 1, 2022 | $ 965,942 | $ 124,495 | $ 513,898 | $ 98,077 | $ 1,366,883 | $ (36,109) | $ 4,040 | $ 3,037,226 | $ 119,261 | $ 3,156,487 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 13,278 | - | (13,278) | - | - | - | - | - |
| Cash dividends paid | - | - | - | - | (115,913) | - | - | (115,913) | - | (115,913) |
| Cash dividends to shareholders from capital surplus | - | (28,979) | - | - | - | - | - | (28,979) | - | (28,979) |
| 2022 Net profit | - | - | - | - | 354,143 | - | - | 354,143 | (4,856) | 349,287 |
| Other comprehensive income for 2022 | - | - | - | - | 2,637 | 17,410 | (13,848) | 6,199 | 1,114 | 7,313 |
| Total comprehensive income of 2022 | - | - | - | - | 356,780 | 17,410 | (13,848) | 360,342 | (3,742) | 356,600 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | 1,125 | - | (1,125) | - | - | - |
| Balance at December 31, 2022 | 965,942 | 95,516 | 527,176 | 98,077 | 1,595,597 | (18,699) | (10,933) | 3,252,676 | 115,519 | 3,368,195 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 35,790 | - | (35,790) | - | - | - | - | - |
| Cash dividends paid | - | - | - | - | (154,551) | - | - | (154,551) | - | (154,551) |
| Cash dividends to shareholders from capital surplus | - | - | - | - | - | - | - | - | - | - |
| 2023 Net profit | - | - | - | - | 210,811 | - | - | 210,811 | (20,505) | 190,306 |
| Other comprehensive income for 2023 | - | - | - | - | (281) | (13,317) | (1,486) | (15,084) | (1,273) | (16,357) |
| Total comprehensive income of 2023 | - | - | - | - | 210,530 | (13,317) | (1,486) | 195,727 | (21,778) | 173,949 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | (9,038) | - | 9,038 | - | - | - |
| Balance at December 31, 2023 | $ 965,942 | $ 95,516 | $ 562,966 | $ 98,077 | $ 1,606,748 | $ (32,016) | $ (3,381) | $ 3,293,852 | $ 93,741 | $ 3,387,593 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Net profit before tax | $ 235,099 | $ 459,788 |
| Adjustments | | |
| Depreciation | 111,786 | 115,080 |
| Amortisation | 2,752 | 2,965 |
| Expected credit impairment (gains) losses | (7,214) | (13,621) |
| Interest expense | 32,760 | 26,002 |
| Interest income | (30,129) | (15,972) |
| Dividend revenue | (23,308) | (18,114) |
| Share of profit or loss of associates and joint ventures accounted for using equity method | (7,178) | (7,782) |
| Gains on disposal and discard of property, plant and equipment | (61) | (211) |
| Unrealized (Realized) gain from sale | 210 | 4,900 |
| Other income | (1,075) | (1,081) |
| Lease modification benefit | - | (283) |
| Gains on disposals of investments | (2,841) | (2,095) |
| (Gains) losses from evaluation of financial assets | (123,694) | 11,149 |
| Changes in operating assets and liabilities | | |
| Notes receivable | 222,165 | (134,978) |
| Notes receivable - related parties | 3,416 | (509) |
| Account receivables | 107,200 | 88,299 |
| Account receivables - related parties | (10,175) | (19,617) |
| Other receivables | (1,665) | 2,777 |
| Other receivables - related parties | - | 174 |
| Inventories | 158,233 | (57,361) |
| Prepayments | 15,369 | 18,114 |
| Other current assets | 407 | (255) |
| Overdue receivables | 8,784 | (6,784) |
| Long-term notes receivable | 5,380 | 19,191 |
| Contract liabilities | (52,798) | 4,062 |
| Notes payable | (131,668) | (124,385) |
| Notes payable - related parties | 52 | (16,520) |
| Accounts payable | (36,042) | (77,204) |
| Accounts payable - related parties | (449) | 208 |
| Other payables | (15,683) | (9,489) |
| Other payables - related parties | (668) | 531 |
| Provisions | 522 | (513) |
| Advance receipts | 132 | 922 |
| Other current liabilities | (1,022) | 857 |
| Net defined benefit liability | (2,088) | (507) |
| Cash generated from operations | 456,509 | 247,738 |
| Interest received | 30,862 | 12,058 |
| Income tax paid | (87,932) | (37,909) |
| Net cash generated by operating activities | 399,439 | 221,887 |

(Continued)

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand

(Continued from previous page)

| | 2023 | 2022 |
|---|---|---|
| Cash flows from investing activities | | |
| Acquisitions of financial assets at fair value through profit or loss | (49,014) | (236,175) |
| Disposal price of financial assets at fair value through profit or loss | 15,622 | 22,536 |
| Acquisitions of financial assets at fair value through other comprehensive income | - | (11,268) |
| Disposal price of financial assets at fair value through other comprehensive income | 6,981 | 3,791 |
| Acquisition of financial assets measured at amortized cost | (10,137) | - |
| Acquisition of property, plant and equipment | (51,642) | (22,340) |
| Proceeds from disposal of property, plant and equipment | 1,779 | 3,740 |
| Acquisitions of intangible assets | (5,079) | (1,246) |
| Decrease (Increase) in prepayments for equipment | (2,900) | 3,664 |
| Decrease in guarantee deposits paid | 3,181 | 5,785 |
| Decrease (Increase) in other non-current assets | (61) | 2,094 |
| Dividends received | 23,308 | 18,114 |
| Decrease (Increase) in other financial assets | 197,356 | (220,429) |
| Net cash inflow (outflow) from investing activities | 129,394 | (431,734) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings | (378,097) | 619,168 |
| Increase (Decrease) in short-term notes and bills payable | (209,654) | 29,734 |
| Decrease in long-term borrowings | - | (62,672) |
| Repayment of principal of lease liabilities | (11,420) | (11,410) |
| Decrease in guarantee deposits received | (272) | (1,990) |
| Interest paid | (31,622) | (25,793) |
| Dividends paid | (154,551) | (144,890) |
| Net cash inflow (outflow) from financing activities | (785,616) | 402,147 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | (9,215) | 2,219 |
| Net increase (decrease) in cash and cash equivalents | (265,998) | 194,519 |
| Cash and cash equivalents at the beginning of year | 1,132,171 | 937,652 |
| Cash and cash equivalents at the end of year | $ 866,173 | $ 1,132,171 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Hong-Bin Syu

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

Unit: NT$ thousand (unless stated otherwise)

I. History and Organization

AWEA Mechantronic Co., Ltd. was established on July 16, 1986. The design, manufacture and sales of special machines, automation equipment and computer-controlled tool machines are its main business.

The shares of AWEA was approved of listing by Document Tai-Zheng-(2000)-Shang-Zi No. 025773 on September 6, 2000, and began to be listed for trading on TWSE Stock Exchange Market since September 11, 2000.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved by the board of directors and authorized for issue on March 5, 2024.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRS") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except as stated below, the application of the amendments to the IFRS endorsed and issued into effect by the FSC does not have a significant effect on the Company's accounting policies:

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

The amendment introduces an exception to IAS 12 that specifies that the Company shall not recognize deferred income tax assets and liabilities for Pillar Two income taxes and shall not disclose information about such deferred income taxes, but shall disclose that it has applied this exception and shall disclose current income tax expense (income) related to Pillar Two income taxes separately. In addition, if the Pillar Two Act has been enacted or substantively enacted but has not yet come into force, the Company shall disclose its qualitative and quantitative information known or reasonably estimated to be exposed to the Pillar Two income tax for the users to know the situation. After the issuance of this amendment, the Company shall immediately and retroactively apply this exception and disclose the fact that it has been applied; the other disclosure requirements apply to annual reporting periods after January 1, 2023, and do not apply to interim financial statements with the end date of interim period before December 31, 2023.

(II) IFRSs issued by the International Accounting Standards Board (IASB) that have been endorsed by the FSC and will come into effect in 2024:

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendment to IFRS 16 "Lease Liabilities in Sale and Leasebacks" | January 1, 2024 (Note 2) |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements" | January 1, 2024 (Note 3) |

Note 1: Unless stated otherwise, the above new/revised/amended standards or interpretations are effective for annual reporting periods beginning on their respective effective dates.

Note 2: A seller-lessee applies the amendments retrospectively to IFRS 16 to sale and leaseback transactions entered into after the date of initial application.

Note 3: When the amendments apply for the first time, some requirements for disclosure are exempted.

As of the date the financial statements were authorized, the Company is making continuous assessment and concludes that the amendments of other standards and interpretations will have no significant impact on the financial position and financial performance.

(III) IFRS issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 21 “Lack of Exchangeability” | January 1, 2025 (Note 2) |

Note 1: Unless stated otherwise, the above new/revised/amended standards or interpretations are effective for annual reporting periods beginning on their respective effective dates.

Note 2: This amendment applies for annual reporting periods beginning after January 1, 2025. At the initial application of the amendment, the number of influences is recognized in the retained reserve at the date of initial application. When the Company adopts a non-functional currency as the presentation currency, the effects will be reclassified as the exchange differences arising from the translation of the financial statements of foreign operations under equity on the initial application date.

As of the date the financial statements were authorized, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Polices

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The following accounting policies have been consistently applied to all periods presented in the consolidated financial statements, unless otherwise specified.

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC.

(II) Basis of preparation

Except for the following significant items of balance sheet, these consolidated financial statements have been prepared at historical cost:

1. Financial assets measured at fair value through profit or loss;
2. Financial assets measured at fair value through other comprehensive income;
3. The net defined benefit liability is the fair value of pension fund assets less the present value of defined benefit obligations.

(III) Functional currency and presentation currency

Each entity of the Consolidated Company uses the currency of the primary economic environment in which the entity operates as the functional currency. The consolidated financial statements are presented in New Taiwan dollars, the Company's functional currency. All financial information presented in New Taiwan dollars are in thousands of New Taiwan dollars.

(IV) Basis of consolidation

The consolidated financial statements include the financial statements of AWEA and the entities it controls (i.e., subsidiaries).

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control of the subsidiaries is obtained until the date on which such control ceases. The gains and losses attributable to the non-controlling interest in the subsidiaries are attributed to the non-controlling interest even if the non-controlling interest becomes a deficit balance as a result.

The financial statements of the subsidiaries have been appropriately adjusted so that the accounting policies are consistent with those of AWEA.

Significant transactions among consolidated companies, balances and unrealized gains and expenses have been eliminated when preparing the consolidated financial statements.

Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiaries | Main business activities | Ownership (%) | |
|---|---|---|---|---|
| | | | December 31, 2023 | December 31, 2022 |
| AWEA Mechantronic Co., Ltd. | B-Way (Cayman) Co., Ltd. | International investment and international trade | 100% | 100% |
| AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | Industrial machinery manufacture and trade | 60% | 60% |
| B-Way (Cayman) Co., Ltd. | Billion-Way (Cayman) Co., Ltd. | International investment and international trade | 100% | 100% |
| Billion-Way (Cayman)Co., Ltd. | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Machinery sales, installation and international trade | 100% | 100% |
| Billion-Way (Cayman)Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | Machinery manufacturing, sales and installation and international trade | 100% | 100% |
| Yih Chuan Machinery Industry Co., Ltd. | AXTRON INT’L INVESTMENT CO., LTD | International investment and international trade | 100% | 100% |
| AXTRON INT’L INVESTMENT CO., LTD | AXTRON INT’L INVESTMENT LIMITED | International investment and international trade | 100% | 100% |
| AXTRON INT’L INVESTMENT LIMITED | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Machinery manufacturing, sales and installation and international trade | 100% | 100% |

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

1. Assets that meet one of the following criteria are classified as current assets. All assets that are not classified as current assets are classified as non-current assets:

   (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal business cycle;

   (2) Assets held mainly for trading purposes;

   (3) Assets that are expected to be realized within twelve months after the reporting period; or

   (4) The asset is cash and cash equivalents, excluding restricted assets and those

that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

2. Liabilities that meet one of the following criteria are classified as current liabilities. All liabilities that are not classified as current liabilities are classified as non-current liabilities:
   (1) Liabilities that are expected to be settled within the normal business cycle;
   (2) Liabilities held mainly for trading activities.
   (3) Liabilities that are expected to be due for settlement within twelve months after the reporting period; or
   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(VI) Foreign currency transactions

When preparing the financial statements of each consolidated entity, transactions in currencies other than the entity's functional currency (foreign currency) are translated to the functional currency based on the exchange rate on the transaction day.

Monetary items denominated in foreign currencies at the end of the reporting period are translated into the functional currency based on the exchange rate on that day.

Foreign currency non-monetary items measured at fair value are translated into the functional currency at the exchange rate on that day; however, if the change in fair value is recognized in other comprehensive income, the resulting exchange differences are included in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the exchange rates on the transaction date. The exchange differences arising from translation are recognized in profit or loss in the period in which they arise.

For purpose of preparing the consolidated financial statements, the assets and liabilities of foreign operations of the Company shall be translated to NTD by the exchange rate on ending date of the reporting period; the income and expense items shall be translated to NTD at the average exchange rate of the current period, and the resulting exchange difference shall be recognized as other comprehensive profit or loss and accumulated as the translation difference in the financial statements of foreign operations under equity.

(VII) Cash and cash equivalents

Cash includes cash on hand and current deposits. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(VIII) Financial instruments

Accounts receivable are initially recognized when they are incurred. All other financial assets and liabilities shall be recognized initially when the Company becomes a party to the contractual provisions of the financial instruments. Financial assets (other than accounts receivable that do not contain significant financial components) or financial liabilities not measured at fair value through profit or loss shall be initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components shall be initially measured at transaction price.

1. Financial assets

At initial recognition, financial assets shall be classified as financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company reclassifies all affected financial assets from the first day of the next reporting period only when there is a change in the business model for financial assets management.

(1) Financial assets measured at amortized cost

Financial assets are measured at amortized cost when they meet all of the following criteria and are not designated as at fair value through profit or loss:

A. The financial assets are held under the business model with the purpose of collecting contractual cash flows.

B. The contract terms of the financial assets generate cash flow on a specific date, and such cash flow is solely for the payment of the principle and the interest on outstanding principle amount.

Such assets are subsequently measured at amortized cost based on the initially recognized amount plus or minus accumulated amortization calculated using the effective interest method, adjusted for any loss allowance. Interest income, foreign currency exchange gains and losses, and impairment losses are recognized in profit or loss. Gains or losses are recognized in profit or loss at derecognition.

(2) Financial assets at FVTPL

Financial assets not classified as financial assets at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. The Company may irrevocably designate financial assets that qualify as financial assets at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss at the time of initial recognition in order to eliminate or materially reduce accounting mismatch. Such assets shall be measured at fair value subsequently, and their net gains or losses shall be recognized in profit or loss.

(3) Financial assets at FVTOCI

At initial recognition, the Company has made an irrevocable election to recognize subsequent changes in the fair value of equity instruments not held for trading in other comprehensive income. The above election is made on an instrument-by-instrument basis.

Investments in debt instruments are subsequently measured at fair value. Interest income, foreign currency exchange gains and losses, and impairment losses calculated using the effective interest method are recognized in profit or loss, and the remaining net gains or losses are recognized in other comprehensive income. Upon derecognition, the cumulative amount in other comprehensive income shall be reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (unless it obviously represents the recovery of a portion of cost of investment) is recognized in profit or loss. The remaining net gains or losses are recognized in other comprehensive income and are not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date when the Company has the right to receive the dividend (usually the ex-dividend date).

(4) Impairment of financial assets

The Company recognizes loss allowance for expected credit losses on the financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

The loss allowance is measured at 12-month expected credit losses for the following financial assets, and at the lifetime expected credit losses of the other financial assets:

A. The credit risk of debt securities is determined to be low at the reporting date; and

B. The credit risks of other debt securities and bank deposits (i.e., the risk of default on financial instruments over the expected life) have not increased significantly since the initial recognition.

The loss allowances for accounts receivable and contract assets are measured at the amount of lifetime expected credit losses.

When determining whether the credit risk has increased significantly since the initial recognition, the Company has considered reasonable and provable information (which can be obtained without undue costs or inputs), including qualitative and quantitative information, and analyses based on the Company’s historical experience, credit assessment and forward-looking information.

Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

The 12-month expected credit losses are expected credit losses that result from possible default events within 12 months after the reporting date (or for shorter periods, if the expected life of the financial instrument is less than 12 months).

The maximum period for which expected credit losses are measured is the maximum contract period over which the Company is exposed to credit risk.

Expected credit losses are weighted estimates of the probability of credit losses over the expected life of the financial instruments. Credit losses are measured at the present value of all cash shortfalls, which is the difference between the cash flows that the Company could receive under the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

On each reporting date, the Company evaluates whether credit impairment occurs to the financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. Credit impairment occurs to a financial asset when one or more events that have an adverse effect on the estimated future cash flows of the financial asset. Evidence proving that credit impairment occurs to a financial asset includes observable information about the following events:

A. Significant financial difficulty of the borrower or issuer;

B. Defaults, such as delay or overdue for more than 90 days;

C. The Company has made concessions to the borrower that the Company would not consider otherwise for economic or contractual reasons related to the borrower’s financial difficulties;

D. The borrower is very likely to apply for bankruptcy or carry out other financial reorganization; or

E. The active market for the financial assets has disappeared due to financial difficulties.

The loss allowance for financial assets at amortized cost is deducted from the carrying amount of the assets. The loss allowance for investments in debt instruments at fair value through other comprehensive income are recognized in other comprehensive income (without reducing the carrying amount of the asset), and the provision or reversal amount of loss allowance is recognized in profit or loss.

When the Company does not have a reasonable expectation of recovering all or part of a financial asset, the total carrying amount of the financial asset is reduced directly. The Company analyzes the timing and amount of offset on a case-by-case basis to determine whether there is a reasonable expectation of recovery. The Company expects that the offset amount will not be reversed significantly. However, the offset financial assets are still enforceable in order to comply with the Company's procedures for recovering overdue amounts.

(5) Derecognition of financial assets

A financial assets will be derecognized only when the Company's contractual rights to the cash flows from that asset are terminated, or when the financial asset is transferred and substantially all the risks and returns of ownership to that asset have been transferred to another entity, or when substantially all the risks and returns of ownership are neither transferred nor retained, and the Company does not retain control over that financial asset.

If the Company enters into a transaction to transfer a financial asset and retains all or substantially all of the risks and returns of ownership to the transferred asset, the financial asset will continue to be recognized on the balance sheet.

(IX) Financial liabilities and equity instruments

1. Classification of liabilities and equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

2. Equity instruments

Equity instrument refers to any contract that recognizes the remaining interest of the Company after reducing all its liabilities from its assets. Equity instruments issued by the Company are recognized at the proceeds received, net of the cost of direct issue.

3. Financial liabilities

Financial liabilities that are not held for trading and are not designated as at fair value through profit or loss (including notes payable, accounts payable and other payables) are measured at fair value plus directly attributable transaction costs at initial recognition; subsequently, they are measured at amortized cost using the effective interest rate method, and interest expenses not capitalized in the asset cost are included in non-operating income and expenses.

4. Derecognition of financial liabilities

   A financial liability is derecognized by the consolidated company when the contractual obligation is either discharged or canceled or expires.

   The difference between the carrying amount of the financial liability derecognized and the total consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and included in non-operating income and expenses.

5. Mutual offset of financial assets and liabilities

   Financial assets and financial liabilities are offset and recognized in the balance sheet on a net basis only when the Consolidated Company has the legal right to do so and has the intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(X) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are stated at standard cost at ordinary times, and are adjusted to approximate weighted average cost at the end of the reporting period. Net realizable value is calculated as the estimated selling price less the costs to be incurred until completion and the selling expenses.

(XI) Investments accounted for using equity method

Investments accounted for using equity method include associates and joint ventures.

Associates are companies over which the Company exercises significant influence, but not subsidiaries or joint ventures. Significant influence refers to the power to participate in the investee’s financial and operating policy decisions, but not the power to control or jointly control such policy decisions.

In joint ventures, the Company and another entity engage in economic activities under joint control through a contractual agreement, meaning that strategic financial and operating decisions related to the joint venture must be made with the consensus of those sharing control. If another entity is created under a joint venture agreement in which each of the joint venture controllers has an interest, that entity is a jointly controlled entity.

The business results and assets and liabilities of associates and joint ventures are included in the financial statements under the equity method, except for the assets classified as held for sale. Under the equity method, investments in associates and joint ventures are initially recognized at cost on the balance sheet and subsequently adjusted for changes in the Company's share of the investee's net assets. When the Company's share of losses in an associate or joint venture exceeds its interest in that associate, an additional loss is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the associate and the joint venture at the date of acquisition is recognized as goodwill and is included in the carrying amount of the investment. The excess of the Company's share of the net fair value of the identifiable assets and liabilities of its associates and joint ventures over the acquisition cost at the date of acquisition is recognized as a gain immediately upon reassessment.

In assessing impairment, the Company considers the entire carrying amount of the investment (including goodwill) as a single asset and compares the recoverable amount (higher of value in use or fair value less selling cost) with the carrying amount to test for impairment, and the impairment loss recognized is included in the carrying amount of the investment. Any reversal of the impairment loss is recognized to the extent of the subsequent increase in the recoverable amount of the investment.

If the Company fails to subscribe for new shares issued by an associate or a joint venture in proportion to its shareholding ratio, resulting in a change in shareholding ratio and a consequent increase or decrease in the net equity value of an investment, the increase or decrease is adjusted to capital surplus and investments accounted for using the equity method. However, if the ownership interest in an associate decreases because the Company does not subscribe for or acquire new shares in proportion to its shareholding ratio, the amount recognized in other comprehensive income related to the associate is reclassified on a pro rata basis to reflect the decrease in ownership interest, which is accounted for on the same basis as that used for the disposal of assets or liabilities by the associate directly.

When a consolidated entity enters into transactions with associates and joint ventures, unrealized gains and losses are eliminated in proportion to its share on consolidation.

(XII) Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost and presented at cost less accumulated depreciation and accumulated impairment. The cost of property, plant and equipment consists of expenditures that are directly attributable to the acquisition or construction of the assets, any other directly attributable costs that are necessary to bring the asset to a useable condition for its intended purpose, and dismantling, relocation and site restoration costs. The foregoing costs include the cost for replacing part of the plant and equipment and the necessary interest expense incurred on construction contracts.

Real estate under construction is presented at cost less all recognized impairment losses. (Cost includes professional service expenses). Such real estate is classified to the appropriate category of property, plant and equipment when completed and reaching the expected use state. Such assets are depreciated on the same basis as other real estate assets, which commences when the assets reach the expected use state.

Self-owned land is not depreciated.

When a major item of property, plant and equipment is required to be replaced on a regular basis, the Company considers that item as an individual asset and recognizes depreciation according to specified useful life and depreciation method. Major maintenance costs are considered as replacement costs and recognized as part of the carrying amount of property, plant and equipment if the conditions for recognition are met. Other maintenance expenses are recognized in profit or loss. The present value of the expected decommissioning cost of an asset after use is included in the cost of the related asset if it meets the recognition criteria for liability reserve.

Each part of property, plant and equipment is depreciated separately and considered as a separate item (significant component) of property, plant and equipment if its cost is material in relation to the total cost of that item.

After initial recognition, an item or a significant component of property, plant and equipment is derecognized and recognized in profit or loss if it is disposed of or if no future economic benefits are expected to flow from its use or disposal. Depreciation is calculated recognized in profit or loss over the estimated useful lives of individual components of property, plant and equipment on a straight-line basis because it best reflects the expected consumption pattern of future economic effects of the assets.

Depreciation is calculated according to the following estimated useful lives:

| | |
|---|---|
| Property and building | 5 - 51 years |
| Machinery equipment | 2 - 16 years |
| Molding equipment | 2 - 3 years |
| Transportation equipment | 2 - 6 years |
| Computer and telecommunication equipment | 4 years |
| Office equipment | 3 - 5 years |
| Business equipment | 2 - 7 years |
| Leasehold improvements | 5 years |
| Other equipment | 2 - 11 years |

Depreciation is calculated using the straight-line method to write off the cost of assets less their residual values over their useful lives. Estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, and the impact of any changes in estimates is recognized on a deferred basis.

Items of property, plant and equipment are derecognized when they are disposed of or when no future economic benefits are expected from the continued use of the asset. Gains or losses arising from the disposal or scrapping of property, plant and equipment are recognized in profit or loss as the difference between the disposal price and the carrying amount of the asset.

(XIII) Leases

1. Lease judgment

   At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

2. The Company as lessee

   The Company recognizes right-of-use assets and lease liabilities at the inception date of the lease. Right-of-use assets are measured initially at cost, which consists of the initially measured amount of the lease liability, adjusted for any lease payments made on or before the inception date of the lease, plus original direct costs incurred and the estimated costs to dismantle or remove the underlying asset and reinstate the underlying asset or its original location, less any lease incentives received.

The right-of-use assets are subsequently depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the asset's useful life or the end of the lease term. In addition, the Company periodically evaluates right-of-use assets for impairment and handles any incurred impairment losses, and adjusts right-of-use assets in case of remeasurement of lease liabilities.

Lease liabilities are measured initially at the present value of outstanding lease payments at the inception date of the lease. The implicit interest rate of the lease is easy to determine, the discount rate is that interest rate, otherwise the Company's incremental borrowing rate is used. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities consist of:

(1) Fixed payments, including substantial fixed payments;

(2) Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the inception date of the lease.

Subsequently, the interests on lease liabilities are calculated using the effective interest method, and their amounts are remeasured when the following circumstances occur:

(1) A change in the index or rate used to determine lease payments results in a change in future lease payments;

(2) A change in the estimate of whether to exercise the option to extend or terminate the lease, which changes the assessment of the lease term;

(3) Changes in the amount of residual value guarantee expected to be paid;

(4) Changes in the evaluation of purchase options for the underlying assets;

(5) Changes in the subject matter, scope or other terms of the lease.

When a lease liability is remeasured as a result of changes in the index or rate used to determine the lease payments, changes in the amount of residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly, and the remaining amount of the remeasurement is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and its difference from the remeasurement amount of the lease liability is recognized in profit or loss.

The Company presents right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items on the balance sheet.

For short-term leases of business equipment and other equipment and leases of low-value assets, the Company chooses not to recognize right-of-use assets and lease liabilities, and but recognizes the related lease payments as expenses on a straight-line basis over the lease term.

For sale and leaseback transactions, whether the transfer of an asset to a buyer-lessor satisfies the requirements for sale is evaluated in accordance with IFRS 15. If it is determined that the asset is sold, such asset is derecognized and the portion of the right transferred to the buyer-lessor is recognized in profit or loss. Leaseback transactions are accounted for as lessee transactions, and the right-of-use asset is measured at the original amount of the portion of the asset leased back. If the requirements for sale are not met, the transferred asset is further recognized and the consideration received is recognized as a financial liability.

3. The Company as lessor

Lease agreements in which the Company is the lessor are classified as a finance lease if substantially all the risks and returns of ownership to the underlying asset have been transferred or an operating lease otherwise at the inception date of the lease. In the evaluation, the Company considers relevant specific indicators, including whether the lease term covers a significant portion of the economic life of the underlying asset.

If the Company is a sub-lessor, the Company shall handle the transactions of primary lease and sublease separately and evaluate the classification of the sublease transaction based on the right of use derived from the primary lease. If the primary lease is a short-term lease and a recognition exemption is applied, the sublease transaction shall be classified as an operating lease.

(XIV) Intangible assets

1. Goodwill

   Goodwill on acquisitions of subsidiaries is measured at cost less accumulated impairment losses.

2. Other intangible assets

   The Company acquired intangible assets with finite useful lives are shown at cost less accumulated amortization and accumulated impairment losses.

   Amortization amount is calculated on a straight-line basis over the following useful lives:

   | | |
   |---|---|
   | Computer software | Economic benefits or contract term |

   Estimated useful life and amortization method are reviewed at the end of the reporting period, and the impact of any changes in estimates is deferred.

(XV) Impairment of non-financial assets

The Company evaluates at each reporting date whether there is any indication showing that the carrying amount of non-financial assets (other than inventories, contract assets, and deferred tax assets) may be impaired. If any indication exists, the recoverable amount of the asset shall be estimated.

For the purpose of impairment test, a group of assets of which a significant portion of the cash inflows are independent of other individual assets or the cash inflow of an asset group is identified as the smallest identifiable asset group. Goodwill acquired from business merger is allocated to each cash generating unit or group of cash generating units that is expected to benefit from the merger synergies.

The recoverable amount is the higher of the fair value of an asset or cash generating unit less the disposal cost and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the recoverable amount of an asset or cash generating unit is less than its carrying amount.

An impairment loss is recognized immediately in profit or loss. The carrying amount of amortized goodwill of a cash generating unit is reduced first, and then the carrying amount of that asset is reduced in proportion to the carrying amount of other assets in the unit.

Impairment losses on goodwill are not reversed. Non-financial asset other than goodwill is reversed only to the extent that the carrying amount (net of depreciation or amortization) of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in previous years.

(XVI) Provisions

The provision for liabilities is recognized when there is a present obligation arising from past events, it is likely that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision for liabilities is the best estimate of the expenses that will be required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties of the obligation. If the provision for liabilities is measured at the estimated cash flows to settle the present obligation, the carrying amount is the present value of such cash flows.

(XVII) Revenue recognition

Revenue is measured at the consideration expected to be received for the goods or services transferred. The Company recognizes the revenue when control over goods or services is transferred to the customer to satisfy performance obligations.

1. Sales of goods

   The Company recognizes the revenue when control of the product is transferred to the customer. The control over a product is transferred when the product is delivered to the customer, the customer has complete control over the product's distribution channels and price, and there are no outstanding obligations that would affect the customer's acceptance of the product. Delivery occurs when the product is shipped to a specific location and the risks of obsolescence and loss are transferred to the customer. The customer has accepted the product under a sales contract, the terms of acceptance have expired, or the Company has objective evidence showing that all conditions of acceptance have been met.

The Company recognizes accounts receivable upon delivery of goods because the Company has an unconditional right to receive consideration at that time.

2. Financial components

The Company does not adjust the time value of money of the transaction price because it expects the time interval between the transfer of goods or services to the customer and the time the customer pays for those goods or services to be less than one year for all customer contracts.

(XVIII) Government grants

Government grants are recognized only when the conditions attached to the grant are met and the grant is expected to be received.

(XIX) Employee benefits

1. Defined contribution plans

Contribution obligations to defined contribution pension plans are recognized as expenses over the employees' service provision period. Prepaid contributions are recognized as an asset to the extent that they result in a cash refund or a reduction in the future payments.

2. Defined benefit plan

The Company's net obligation for defined benefit plans is calculated by discounting the present value of future benefit amounts earned by employees for current or prior periods of service, less the fair value of plan assets.

The defined benefit obligation is actuarially calculated annually by a qualified actuary using the projected unit benefit method. When the calculation results are probable to be favorable to the Company, the assets are recognized to the extent of the present value of any economic benefits that may be obtained in the form of refunds of contributions from the plan or reductions in future contributions to the plan. The present value of economic benefits is calculated taking into account any minimum contribution requirements.

The remeasurement of the net defined benefit liabilities, including actuarial gains and losses, the return on plan assets (excluding interest), and any changes in the impact of the asset ceiling (excluding interest) are recognized immediately in other comprehensive income and accumulated in retained earnings. The Company determines that net interest expense (income) on the net defined benefit liability (asset) uses the net defined benefit liability (asset) and discount rate determined at the beginning of the annual reporting period. Net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

Changes in benefits related to prior service costs or reduced benefits or losses resulting from plan revisions or reductions are recognized immediately in profit or loss. The Company recognizes gains or losses on settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are rendered. If the Company has a present legal or constructive obligation to pay as a result of past service rendered by employees, and the obligation can be estimated reliably, the amount is recognized as a liability.

(XX) Borrowing costs

Borrowing costs directly attributable to the acquisition of an asset are included as part of the cost of that asset until substantially all activities necessary to bring the asset to its intended use or sale state have been completed.

Except for the above, all other borrowing costs are recognized as profit or loss in the year in which they are incurred.

(XXI) Income tax

The income tax for the period comprises current and deferred tax.

Current income taxes include income taxes payable or tax refunds receivable based on the taxable income (loss) in current year, and any adjustments to income taxes payable or tax refunds receivable in previous years. The amount is the best estimate of the amount expected to be paid or received, as measured by the statutory tax rate or the tax rate under substantive legislation at the reporting date.

Deferred income taxes are measured and recognized for temporary differences between the carrying amounts of assets and liabilities at the date of financial reporting and their tax bases. Unused tax losses and unused tax credits in later periods of transfer, and deductible temporary differences are recognized as deferred tax assets to the extent that it is very likely that future taxable income will be available. They shall also be reassessed at each reporting date and reduced to the extent that the relevant income tax benefit is not within the scope very likely to be realized; or the originally reduced amount shall be reversed to the extent that it is very likely to generate sufficient taxable income.

Deferred tax assets and deferred tax liabilities are offset only if the following conditions are met simultaneously:

1. There is a legally enforceable right to offset current tax assets against current tax liabilities; and
2. The deferred tax assets and liabilities are relate to one of the following taxpayers that are subject to the income tax levied by the same taxation authority:
   (1) The same taxpayer; or
   (2) Different taxpayers, provided that each taxpayer intends to settle current income tax liabilities and assets on a net basis, or to realize assets and settle liabilities 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.

(XXII) Earnings per share

The Company presents basic and diluted earnings per share attributable to equity holders of the Company’s common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company’s common shares by the weighted average number of outstanding common shares in current period. Diluted earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company’s common shares by the weighted average number of outstanding common shares, adjusted for the impact of all potential diluted common shares.

(XXIII) Segment information

Operating segments are components of the Consolidated Company that engage in operating activities that may generate revenues and incur expenses (including revenues and expenses related to transactions with other components of the Consolidated Company). The operating results of all operating segments are reviewed periodically by the key operating decision maker of the Consolidated Company in order to make decisions on the allocation of assets to such segments and evaluate the performance. Each operating segment has its separate financial information.

## V. Significant Accounting Judgment, Estimates, and Assumptions and the Main Sources of Assumption Uncertainty

The Company and its subsidiaries take into account the economic impact of the COVID-19 epidemic in significant accounting estimates, and the management will continue to review estimates and underlying assumptions. Amendments to accounting estimates are recognized in the period when the estimates are revised if the amendments affect only that period. If revisions affect both current and future periods, the accounting estimates are recognized in the current and future periods.

Management is required to make judgments, estimates and assumptions when preparing the parent company only financial statements. They will affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates.

The management will continue to review estimates and underlying assumptions. Changes in accounting estimates are recognized in the period when the changes occur and in the future periods affected.

Information about uncertainties in assumptions and estimates that have a significant risk of causing a material adjustment in the next year is summarized below. The uncertainties in the following assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year and have reflected the impact of the COVID-19 pandemic. The relevant information is summarized below:

(I) Lose allowance for accounts receivable

The loss allowance for accounts receivable is estimated based on the assumptions of default risk and expected loss rate. The Company considers historical experience, current market conditions and forward-looking estimates at each reporting date to determine the assumptions and inputs to be used in the impairment calculation. For details of the relevant assumptions and inputs, please refer to Note VI (V).

(II) Evaluation of inventories

Since inventories are measured at the lower of cost or net realizable value, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on reporting date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes due to rapid changes in the industry.

(III) Impairment evaluation of investments accounted for using equity method

When there is an indication that an investment by equity method has impaired and the carrying amount may not be recovered, the Company will evaluate such impairment immediately. The Company evaluates the impairment loss based on the investee's future cash flow projections, including the sales growth rate and capacity utilization rate estimated by the investee's internal management, and analyzes the reasonableness of the related assumptions.

(IV) Impairment evaluation of tangible assets and intangible assets (excluding goodwill)

During the asset impairment evaluation process, the Company relies on its subjective judgment, use mode of assets and characteristics of the industry, to determine the independent cash flows of a particular asset group, useful life of the assets and the likely future income and loss, and any change in estimates due to changes in economic conditions or the Company's strategy may cause significant impairment or reversal of a recognized impairment loss in the future.

(V) Recognition and measurement of provision for liabilities

Provisions for product warranty liabilities are estimated at the time of revenue recognition and are based on the number of products under warranty, the history of the products, the expected maintenance rate and the expected unit maintenance cost. The Company continuously reviews the basis of these estimates and revises them when appropriate. Any change in the above estimate basis could materially affect the estimation of the provision for product warranty liabilities.

(VI) Realizability of deferred tax assets

Deferred tax assets are recognized only when it is probable that there will be sufficient taxable income for deductible temporary differences to be used in the future. Assessing the realizability of deferred tax assets must involve significant accounting judgments and estimates by the management, including assumptions about expected future sales revenue growth and profit margins, tax holiday periods, available income tax credits, and tax planning, etc. Any changes in the global economic environment, industrial environment and laws may cause significant adjustments to deferred tax assets.

(VII) Measurement of defined benefit obligation

The defined benefit cost and net defined benefit liabilities (assets) to be recognized for the defined benefit pension plan are actuarially valued using the projected unit benefit method. The actuarial assumptions adopted include discount rate, employee turnover rate, and increment rate of future salary. Such assumptions could materially affect the amounts of expenses and liabilities recognized if they change as a result of changes in market and economic conditions. For the significant actuarial assumptions used in the actuarial calculations and the sensitivity analysis, please refer to Note VI (XVII).

VI. Summary of Significant Accounting Titles

(I) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash | $ 2,661 | $ 2,873 |
| Bank deposits | 863,512 | 1,129,298 |
| | $ 866,173 | $ 1,132,171 |

(II) Financial assets at FVTPL

Current items:

| Mandatorily measured at FVTPL | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Domestic listed (OTC) stocks | $ 417,099 | $ 380,865 |
| Adjustments | 119,830 | (3,863) |
| | $ 536,929 | $ 377,002 |

Non-current items:

| Mandatorily measured at FVTPL | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Overseas non-listed (non-OTC) stocks | $ 27 | $ 27 |
| Adjustments | (27) | (27) |
| | $ - | - |

1. Profits (losses) recognized in relation to the financial assets at fair value through profit or loss are listed below:

| Mandatorily measured at FVTPL | 2023 | 2022 |
|---|---|---|
| Profits (losses) on valuation | $ 123,694 | $ (11,149) |
| Gain on disposal | $ 2,841 | $ 2,095 |
| Dividend revenue | $ 23,144 | $ 16,926 |

2. The Company has no financial assets at fair value through profit or loss pledged to others.
3. The above equity instruments of the Company are held for trading and are therefore measured at fair value through profit or loss.
4. The Company invested in AUTECH EUROPE, a French agency, at an amount of FRF 5,000 (equaling to NT$27 thousand) in 1990, and the total capital amount of AUTECH EUROPE was FRF 100,000. In 1996, due to value impairment and little hope of recovery of the investee companies, all were recognized as losses.

(III) Financial assets at FVTOCI

| Measured at FVTOCI | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Domestic listed (OTC) stocks | $ 5,372 | $ 21,391 |
| Adjustments | (3,381) | (10,933) |
| | $ 1,991 | $ 10,458 |

1. The Company holds the above equity instruments as long-term strategic investments and therefore designates these investments as at fair value through other comprehensive income.
2. The Company disposed of equity investments at fair values of NT$7,012 thousand and NT$3,808 thousand in 2023 and 2022, respectively, and the accumulated losses and gains on disposal were NT$(9,038) thousand and NT$1,125 thousand, respectively. The above accumulated disposal losses and gains have been transfered to the retained earnings from other equities.

3. Amounts recognized in profit or loss in relation to the financial assets at fair value through other comprehensive income are listed below:

| Measured at FVTOCI | 2023 | | 2022 | |
|---|---|---|---|---|
| Dividend income recognized in profit or loss | | | | |
| Held at the end of the period | $ | 164 | $ | 1,188 |
| Derecognized during the period | | - | | - |
| | $ | 164 | $ | 1,188 |
| | | | | |
| Changes in fair value recognized in other comprehensive income | $ | (1,486) | $ | (13,848) |
| Accumulated gains (losses) transferred to retained earnings due to derecognition | $ | (9,038) | $ | 1,125 |

4. The Company has no financial assets at fair value through other comprehensive income pledged to others.

(IV) Financial assets measured at amortized cost

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Pledged time deposits | $ | 10,137 | $ | - |
| | | | | |
| Non-current | $ | 10,137 | $ | - |

1. For information on pledged financial assets at amortized cost, please refer to Note VIII.

(V) Notes and accounts receivable

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Notes receivable | $ | 164,157 | $ | 386,323 |
| Less: Loss allowance | | (7,057) | | (4,683) |
| Net | $ | 157,100 | $ | 381,640 |

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Account receivables | $ | 361,606 | $ | 468,846 |
| Less: Loss allowance | | (10,964) | | (11,234) |
| Net | $ | 350,642 | $ | 457,612 |

The average credit period for merchandise sales ranges from 30 to 90 days for monthly statement, and accounts receivable are non-interest-bearing.

The loss allowance for accounts receivable of the Company is recognized by simplified method under IFRS 9 according to lifetime expected credit losses. The lifetime expected credit loss is calculated using provision matrix and takes past breach records of the customer, the current financial condition and industrial economic trend. Since the Company's historical experience of credit losses shows that there is no significant difference in the pattern of losses among different customer groups, therefore, the reserve matrix does not further distinguish between the customer groups, but only determines the expected credit loss rate based on the number of days overdue on accounts receivable.

If any evidence shows the counterparty faces significant financial difficulty and the collectible amount cannot be reasonably expected, the Company will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The Company measures the loss allowance of note and accounts receivable according to the provision matrix as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| | Total carrying amount | Loss allowance (lifetime expected credit losses) | Amortized cost |
| Not past due | $ 475,225 | $ (7,787) | $ 467,438 |
| 1 - 30 days past due | 6,931 | (86) | 6,845 |
| 31 - 180 days past due | 21,479 | (619) | 20,860 |
| 181 - 365 days past due | 10,761 | (1,495) | 9,266 |
| Over 366 days past due | 11,367 | (8,034) | 3,333 |
| Total | $ 525,763 | $ (18,021) | $ 507,742 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Total carrying amount | Loss allowance (lifetime expected credit losses) | Amortized cost |
| Not past due | $ 811,590 | $ (6,104) | $ 805,486 |
| 1 - 30 days past due | 12,382 | (248) | 12,134 |
| 31 - 180 days past due | 15,109 | (388) | 14,721 |
| 181 - 365 days past due | 5,603 | (1,352) | 4,251 |
| Over 366 days past due | 10,485 | (7,825) | 2,660 |
| Total | $ 855,169 | $ (15,917) | $ 839,252 |

The expected credit loss ratios of the Company for each of the above sections (excluding unusual items for which 100% of the total amount has been presented) were 1% or less for not past due and 90 days or less past due; 5% or less for 365 days or less past due; and 5% - 80% for more than 365 days past due.

The changes in the Company's loss allowance of notes and accounts receivable are as follows:

| | 2023 | 2022 |
|---|---|---|
| Opening balance | $ 15,917 | $ 34,478 |
| Presentation (reversal) in the current period | 2,337 | 2,172 |
| Write-offs in the current period | (131) | (20,803) |
| Impacts of exchange rate | (102) | 70 |
| Ending balance | $ 18,021 | $ 15,917 |

(VI) Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Products | $ 4,655 | $ 5,242 |
| Raw materials | 416,910 | 579,565 |
| Work in process | 924,154 | 916,835 |
| Finished goods | 103,055 | 105,365 |
| | $ 1,448,774 | $ 1,607,007 |

1. Inventory-related expenses recognized in the current period

| | 2023 | 2022 |
|---|---|---|
| Cost of goods sold | $ 1,878,841 | $ 2,362,128 |
| Loss on market value decline and obsolete and slow-moving inventories | 81,529 | 41,547 |
| Inventory obsolescence | 3,382 | 2,352 |
| Inventory loss (profit) | 3,339 | 2,294 |
| Income from sale of scraps | (397) | (1,205) |
| Idle capacity related costs | 36,100 | 25,501 |
| | $ 2,002,794 | $ 2,432,617 |

2. As of December 31, 2023 and 2022, there were no guarantees or pledges on inventories.

(VII) Investments accounted for using equity method

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Associates | $ 116,713 | $ 109,850 |

The Company's associates are listed below:

| Investee company | Main business | Place of establishment and operation | Carrying amount | | Percentage of ownership interest and voting rights held by the Company | |
|---|---|---|---|---|---|---|
| | | | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| Yama Seiki USA, Inc. | Design and production of CNC machine tools, CNC systems, servo devices and related components with more than three axes linkage, and maintenance and sales of precision CNC machine tools | USA | $ 108,435 | $ 101,849 | 28.58% | 28.58% |
| Huahan Leasing Co., Ltd. | Rental of machinery and equipment | Taiwan | 8,278 | 8,001 | 13.33% | 13.33% |
| | | | $ 116,713 | $ 109,850 | | |

1. On December 23, 2010, the Company's Board of Directors resolved to invest US$1,700 thousand in YAMA SEIKI USA, INC. to engage in the sales and installation of parts and accessories of tool machines, mechanical instruments and international trade business.
2. In August 2021, the Company resolved to invest NT$7,333 thousand in Huahan Leasing Co., Ltd. to engage in the machinery and equipment leasing business.
3. The Company's share of profit or loss and other comprehensive income in its associates using equity method in 2023 and 2022 are recognized in accordance with the associates' financial statements audited by CPAs over the same period.

(VIII) Property, plant and equipment

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Self-owned land | $ 536,761 | $ 536,761 |
| Property and building | 987,076 | 1,045,193 |
| Machinery equipment | 130,597 | 149,012 |
| Molding equipment | 9,435 | 6,304 |
| Transportation equipment | 12,267 | 15,187 |
| Computer and telecommunication equipment | 7,726 | 8,833 |
| Office equipment | 270 | 1,463 |
| Business equipment | 4,050 | 5,989 |
| Leasehold improvements | - | - |
| Other equipment | 13,725 | 19,195 |
| Unfinished construction and equipments pending acceptance | 39,865 | 9,536 |
| | $ 1,741,772 | $ 1,797,473 |

| | January 1, 2023 | Additions | Disposals | Reclassification | Impacts of exchange rate | December 31, 2023 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Self-owned land | $ 536,761 | $ - | $ - | $ - | $ - | $ 536,761 |
| Property and building | 1,598,745 | 87 | (516) | - | (8,056) | 1,590,260 |
| Machinery equipment | 388,424 | 6,786 | (54) | (30) | (3,492) | 391,634 |
| Molding equipment | 54,368 | 6,223 | (202) | 658 | (74) | 60,973 |
| Transportation equipment | 71,006 | 2,289 | (4,015) | - | (238) | 69,042 |
| Computer and telecommunication equipment | 19,703 | 275 | (581) | 2,014 | (148) | 21,263 |
| Office equipment | 5,990 | 74 | (1,961) | (1,326) | (77) | 2,700 |
| Business equipment | 18,812 | 1,411 | - | - | - | 20,223 |
| Leasehold improvements | 749 | - | - | - | - | 749 |
| Other equipment | 60,920 | 872 | (619) | (1,316) | (664) | 59,193 |
| Unfinished construction and equipments pending acceptance | 9,536 | 31,459 | (1,109) | - | (21) | 39,865 |
| | $ 2,765,014 | $ 49,476 | $ (9,057) | $ - | $ (12,770) | $ 2,792,663 |

| | January 1, 2023 | Depreciation | Disposals | Reclassification | Impacts of exchange rate | December 31, 2023 |
|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | |
| Property and building | $ 553,552 | $ 52,614 | $ (283) | $ - | $ (2,699) | $ 603,184 |
| Machinery equipment | 239,412 | 23,794 | (34) | 2 | (2,137) | 261,037 |
| Molding equipment | 48,064 | 3,494 | (182) | 227 | (65) | 51,538 |
| Transportation equipment | 55,819 | 4,961 | (3,807) | - | (198) | 56,775 |
| Computer and telecommunication equipment | 10,870 | 2,416 | (523) | 889 | (115) | 13,537 |
| Office equipment | 4,527 | 514 | (1,952) | (602) | (57) | 2,430 |
| Business equipment | 12,823 | 3,350 | - | - | - | 16,173 |
| Leasehold improvements | 749 | - | - | - | - | 749 |
| Other equipment | 41,725 | 5,245 | (558) | (516) | (428) | 45,468 |
| | $ 967,541 | $ 96,388 | $ (7,339) | $ - | $ (5,699) | $ 1,050,891 |
| Net | $ 1,797,473 | | | | | $ 1,741,772 |

| | January 1, 2022 | Additions | Disposals | Reclassification | Impacts of exchange rate | December 31, 2022 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Self-owned land | $ 536,761 | $ - | $ - | $ - | $ - | $ 536,761 |
| Property and building | 1,592,374 | - | - | - | 6,371 | 1,598,745 |
| Machinery equipment | 413,581 | 1,892 | (19,896) | (10,210) | 3,057 | 388,424 |
| Molding equipment | 51,161 | 3,560 | (412) | - | 59 | 54,368 |
| Transportation equipment | 67,279 | 5,362 | (1,846) | - | 211 | 71,006 |
| Computer and telecommunication equipment | 12,578 | 7,313 | (309) | - | 121 | 19,703 |
| Office equipment | 8,357 | 707 | (3,124) | - | 50 | 5,990 |
| Business equipment | 17,802 | 1,010 | - | - | - | 18,812 |
| Leasehold improvements | 749 | - | - | - | - | 749 |
| Other equipment | 50,376 | 1,045 | (1,083) | 10,210 | 372 | 60,920 |
| Unfinished construction and equipments pending acceptance | 9,459 | 60 | - | - | 17 | 9,536 |
| | $ 2,760,477 | $ 20,949 | $ (26,670) | $ - | $ 10,258 | $ 2,765,014 |

| | January 1, 2022 | Depreciation | Disposals | Reclassification | Impacts of exchange rate | December 31, 2022 |
|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | |
| Property and building | $ 497,566 | $ 54,359 | $ - | $ - | $ 1,627 | $ 553,552 |
| Machinery equipment | 234,701 | 25,761 | (16,714) | (5,858) | 1,522 | 239,412 |
| Molding equipment | 45,276 | 3,159 | (412) | - | 41 | 48,064 |
| Transportation equipment | 52,058 | 5,386 | (1,780) | - | 155 | 55,819 |
| Computer and telecommunication equipment | 9,610 | 1,464 | (285) | - | 81 | 10,870 |
| Office equipment | 7,036 | 574 | (3,123) | - | 40 | 4,527 |
| Business equipment | 9,520 | 3,303 | - | - | - | 12,823 |
| Leasehold improvements | 728 | 21 | - | - | - | 749 |
| Other equipment | 30,988 | 5,529 | (828) | 5,858 | 178 | 41,725 |
| | $ 887,483 | $ 99,556 | $ (23,142) | $ - | $ 3,644 | $ 967,541 |
| Net | $ 1,872,994 | | | | | $ 1,797,473 |

1. For properties, plants and equipment provided by the Company as the guarantee for borrowings, please refer to Note VIII for details.
2. The land accounted for by the Company as at December 31, 2023 and 2022 was partly agricultural land with title temporarily registered in the name of another person for an amount of NT$88,529 thousand, in respect of which the Company has obtained a certificate of creation of other rights.

(IX) Lease arrangements

1. Right-of-use assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Land-use right | $ 113,567 | $ 129,803 |
| Property and building | 910 | 2,232 |
| | $ 114,477 | $ 132,035 |

| | January 1, 2023 | Additions | Disposals | Reclassification | Impacts of exchange rate | December 31, 2023 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Land-use right | $ 210,875 | $ - | $ - | $ - | $ (2,983) | $ 207,892 |
| Property and building | 4,394 | - | (150) | - | - | 4,244 |
| | $ 215,269 | $ - | $ (150) | $ - | $ (2,983) | $ 212,136 |

| | January 1, 2023 | Depreciation | Disposals | Reclassification | Impacts of exchange rate | December 31, 2023 |
|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | |
| Land-use right | $ 81,072 | $ 14,076 | $ - | $ - | $ (823) | $ 94,325 |
| Property and building | 2,162 | 1,322 | (150) | - | - | 3,334 |
| | $ 83,234 | $ 15,398 | $ (150) | $ - | $ (823) | $ 97,659 |
| Net | $ 132,035 | | | | | $ 114,477 |

| | January 1, 2022 | Additions | Disposals | Others | Impacts of exchange rate | December 31, 2022 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Land-use right | $ 182,835 | $ 603 | $ - | $ 25,080 | $ 2,357 | $ 210,875 |
| Property and building | 5,334 | 694 | (1,634) | - | - | 4,394 |
| | $ 188,169 | $ 1,297 | $ (1,634) | $ 25,080 | $ 2,357 | $ 215,269 |

| | January 1, 2022 | Depreciation | Disposals | Others | Impacts of exchange rate | December 31, 2022 |
|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | |
| Land-use right | $ 41,345 | $ 14,102 | $ - | $ 25,080 | $ 545 | $ 81,072 |
| Property and building | 740 | 1,422 | - | - | - | 2,162 |
| | $ 42,085 | $ 15,524 | $ - | $ 25,080 | $ 545 | $ 83,234 |
| Net | $ 146,084 | | | | | $ 132,035 |

2. Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current | $ 638 | $ 11,420 |
| Non-current | 280 | 918 |
| | $ 918 | $ 12,338 |

3. Important renting activities and terms

The Company leases some lands, plants, offices and transportation equipment for periods ranging from 3 to 10 years. Upon termination of the leases, the Company does not have a preemptive right to acquire the leased assets.

The Company rents land in the People's Republic of China for the manufacturing of its products, with a lease period of 50 years. The lease payment is made in lump sum at the time of signing contract, and the Company does not have a purchase right on the land at the end of the term of land-use right.

4. Other lease information

| | 2023 | 2022 |
|---|---|---|
| Short-term lease and lease expenses of low-value assets | $ 3,835 | $ 1,199 |
| Total cash outflow from leases | $ 11,420 | $ 11,410 |

(X) Intangible assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Goodwill | $ 642 | $ 642 |
| Computer software | 12,014 | 9,726 |
| | $ 12,656 | $ 10,368 |

| | January 1, 2023 | Additions | Disposals | Reclassification | Impacts of exchange rate | December 31, 2023 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Goodwill | $ 642 | $ - | $ - | $ - | $ - | $ 642 |
| Computer software | 24,821 | 5,079 | (365) | - | (110) | 29,425 |
| | $ 25,463 | $ 5,079 | $ (365) | $ - | $ (110) | $ 30,067 |

| | January 1, 2023 | Amortization in current period | Disposals | Reclassification | Impacts of exchange rate | December 31, 2023 |
|---|---|---|---|---|---|---|
| Accumulated amortization | | | | | | |
| Computer software | $ 15,095 | $ 2,752 | $ (365) | $ - | $ (71) | $ 17,411 |
| | $ 15,095 | $ 2,752 | $ (365) | $ - | $ (71) | $ 17,411 |
| Net | $ 10,368 | | | | | $ 12,656 |

| | January 1, 2022 | Additions | Disposals | Reclassification | Impacts of exchange rate | December 31, 2022 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Goodwill | $ 642 | $ - | $ - | $ - | $ - | $ 642 |
| Computer software | 23,494 | 1,246 | - | - | 81 | 24,821 |
| | $ 24,136 | $ 1,246 | $ - | $ - | $ 81 | $ 25,463 |

| | January 1, 2022 | Amortization in current period | Disposals | Reclassification | Impacts of exchange rate | December 31, 2022 |
|---|---|---|---|---|---|---|
| Accumulated amortization | | | | | | |
| Computer software | $ 12,093 | $ 2,965 | $ - | $ - | $ 37 | $ 15,095 |
| | $ 12,093 | $ 2,965 | $ - | $ - | $ 37 | $ 15,095 |
| Net | $ 12,093 | | | | | $ 10,368 |

### (XI) Overdue receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Overdue receivables | $ 860 | $ 9,732 |
| Less: allowance for uncollectible accounts | (860) | (9,732) |
| | $ - | $ - |

(XII) Other financial assets - current

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Special funds for repatriation of overseas funds | $ 343,987 | $ 353,397 |
| Restricted assets - bank deposits | - | 188,170 |
| | $ 343,987 | $ 541,567 |

Regarding the special funds to be repatriated upon approval of the National Taxation Bureau, Ministry of Finance in accordance with the "Regulations of Repatriated Offshore Funds", the Group intends to submit an investment plan to the Ministry of Economic Affairs within one year from the date on which the funds are deposited in a special account for foreign exchange deposits in accordance with Article 8 of the Regulations. Pursuant to the Regulations, the said plan was approved by the Ministry of Economic Affairs through the approval document No. 11020433960 on September 23, 2021.

(XIII) Short-term borrowings

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Secured loans | $ 376,852 | $ 509,949 |
| Credit loans | 1,200,000 | 1,445,000 |
| | $ 1,576,852 | $ 1,954,949 |
| Interest rate | 1.6800% -3.6000% | 1.3123%-4.9000% |

Please refer to Note VIII for the guarantees provided.

(XIV) Short-term notes and bills payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Short-term notes and bills payable | $ 80,000 | $ 290,000 |
| Less: Discount on short-term notes and bills payable | (13) | (359) |
| | $ 79,987 | $ 289,641 |
| Interest rate | 1.4500% | 1.3000%-1.7800% |

## (XV) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Other expenses payable | $ 89,437 | $ 101,697 |
| Employee compensation payable | 16,000 | 16,000 |
| Remuneration payable to directors and supervisors | 2,750 | 1,800 |
| Dividends payable | 491 | 491 |
| Construction and equipment payable | 212 | 2,379 |
| Others | 3,288 | 6,522 |
| | $ 112,178 | $ 128,889 |

## (XVI) Current provisions

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Warranty | $ 3,836 | $ 5,272 |
| Employee benefits | 9,099 | 7,173 |
| | $ 12,935 | $ 12,445 |

| | January 1, 2023 | New in current period | Reversal in current period | Impacts of exchange rate | December 31, 2023 |
|---|---|---|---|---|---|
| Warranty | $ 5,272 | $ - | $ (1,436) | $ - | $ 3,836 |
| Employee benefits | 7,173 | 1,966 | (8) | (32) | 9,099 |
| | $ 12,445 | $ 1,966 | $ (1,444) | $ (32) | $ 12,935 |

| | January 1, 2022 | New in current period | Reversal in current period | Impacts of exchange rate | December 31, 2022 |
|---|---|---|---|---|---|
| Warranty | $ 4,355 | $ 917 | $ - | $ - | $ 5,272 |
| Employee benefits | 8,579 | 18 | (1,448) | 24 | 7,173 |
| | $ 12,934 | $ 935 | $ (1,448) | $ 24 | $ 12,445 |

1. Warranty provision for liabilities refers to that as agreed in the sales contract of products, the management of the Company makes optimal estimate based on historical experience of the products.
2. Provisions for employee benefit liabilities are recognized as a liability if the Company has a present legal or constructive obligation to pay as a result of past service rendered by employees, and the obligation can be estimated reliably.

(XVII) Employee benefits

1. Defined benefit plan

The Company's employee retirement plan under the "Labor Standards Act" is a defined benefit plan. Under the plan, the employee's pension is calculated based on the number of years of service and the average salary of the six months before retirement. The Company contributes monthly an amount equal to 2% of the employees' gross salaries to the Labor Pension Fund Supervisory Committee and deposits the funds in the name of the Committee in a special account at the Bank of Taiwan. The Funds are operated and managed by the government's designated authorities. Accordingly, the Company does not have any right to intervene in the investments of the Funds.

The actuarial valuations of the present value of the defined benefit obligation of the Company are carried out by qualified actuaries. The major assumptions used in the actuarial valuation on the measurement date are listed below:

(1) Actuarial assumptions on the reporting date:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.300% | 1.400% |
| Expected salary adjustment rate | 2.500% | 2.500% |

(2) The amounts of pension expenses recognized in the consolidated statements of comprehensive income in respect of defined benefit plan are shown below:

| | 2023 | 2022 |
|---|---|---|
| Current service cost | $ 161 | $ 235 |
| Interest cost on defined benefit obligation | 403 | 273 |
| Interest income on plan assets | (283) | (180) |
| Recognized in profit or loss | 281 | 328 |
| Remeasurement | | |
| Actuarial gains (losses) - Experience adjustments | 269 | 743 |
| Actuarial gains (losses) - Adjustments to demographic assumptions | - | - |
| Actuarial gains (losses) - Adjustments to financial assumptions | 259 | (1,858) |
| Return on plan assets | (177) | (2,181) |
| Recognized in other comprehensive income | 351 | (3,296) |
| Total | $ 632 | $ (2,968) |

Pension expenses recognized in profit or loss for the above defined benefit plan are included in the following items:

| | 2023 | 2022 |
|---|---|---|
| Operating costs | $ 2,274 | $ 624 |
| Selling and marketing expenses | 61 | 71 |
| General and administrative expenses | 230 | 62 |
| Research and development expenses | 78 | 70 |
| Others | (2,362) | (499) |
| | $ 281 | $ 328 |

(3) The Company’s obligation amount from defined benefit plans recognized in the consolidated balance sheets is as follows:

| | December 31, 2023 | December 31, 2022 |
| --- | --- | --- |
| Present value of defined benefit obligation | $ 27,587 | $ 28,824 |
| Fair value of plan assets | (20,614) | (19,833) |
| Net defined benefit liability | $ 6,973 | $ 8,991 |

(4) Changes in the present value of the Company’s defined benefit obligations are presented below:

| | 2023 | 2022 |
| --- | --- | --- |
| Opening balance | $ 28,824 | $ 36,351 |
| Current service cost | 161 | 235 |
| Net interest expense | 403 | 273 |
| Remeasurement | | |
| Actuarial gains - | | |
| Experience adjustments | 269 | 743 |
| Actuarial losses - | | |
| Adjustments to demographic assumptions | - | - |
| Actuarial gains - | | |
| Adjustments to financial assumptions | 259 | (1,858) |
| Benefits paid for plan assets | (2,329) | (6,920) |
| Ending balance | $ 27,587 | $ 28,824 |

(5) Changes in the fair value of the Company’s plan assets are presented below:

| | 2023 | 2022 |
| --- | --- | --- |
| Opening balance | $ 19,833 | $ 23,557 |
| Interest income | 283 | 180 |
| Remeasurement | | |
| Return on plan assets | 177 | 2,181 |
| Contributions from employer | 2,650 | 835 |
| Benefits paid for plan assets | (2,329) | (6,920) |
| Ending balance | $ 20,614 | $ 19,833 |

The Company expects to contribute NT$761 thousand to the defined benefit plan within one year after December 31, 2023.

2. Defined contribution benefit plan

The employee retirement plans of AWEA and its domestic subsidiaries under the "Labor Pension Act" are defined contribution plan. The above companies contribute an amount equal to 6% of the employees' monthly wages to the special accounts at the Bureau of Labor Insurance.

The pension payment of Shanghai Zhuwai Mechanical and Electrical Co., Ltd., AWEA Mechantronic (Suzhou) Ltd., and Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. adopts defined contribution system. The pension benefits are contributed monthly by the company and deposited into the employees' individual pension accounts, which are completely separated from the company and are transferred when employees leave the company. The contribution amount is recognized as current expense. B-Way (Cayman) Co., Ltd., Billion-Way (Cayman) Co., Ltd., Axtron Int'l Investment Co., Ltd. and Axtron Int'l Investment Limited have no regular employees and have no agreement on pension payment.

In accordance with the above regulations, the pension costs recognized by the Company for the years ended December 31, 2023 and 2022 were NT$20,760 thousand and NT$20,276 thousand, respectively.

(XVIII) Share capital

As of December 31, 2023, the Company's authorized common stock amounted to NT$1,000,000 thousand, with paid-in capital of NT$965,942 thousand, par value of NT$10 per share, divided into 96,594,171 shares.

(XIX) Capital surplus

1. Pursuant to the Company Act, capital surplus may not be used except to cover a deficit or to increase capital. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2. Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. However, the capital increase is limited to a certain percentage of the paid-in capital each year. In addition, changes in ownership

interest in subsidiaries recognized can be used to cover a deficit.

(XX) Retained earnings

Legal reserve should be appropriated until it reaches the total amount of paid-in capital. Legal reserve can be used to cover a deficit of the Company, and if there is no deficit, the excess of legal reserve over 25% of paid-in capital may be used to distributed new shares or cash to shareholders in proportion to their original shares.

The Company allocates and reverse the special reserve in accordance with Jin-Guan-Zheng-Fa-Zi No. 109050022 and the "FAQ on the Allocation of Special Reserve after Adoption of International Financial Reporting Standards (IFRSs)". If the remaining balance of other shareholders' equity is reversed, the reversed portion may be used to distribute earnings to the shareholders.

In accordance with the Company's Articles of Incorporation, the annual net income after final settlement shall be used to pay taxes and cover the deficits of prior years, 10% of the remaining income shall be set aside as legal reserve and special reserve in accordance with the law, and the remaining balance shall be added to the undistributed earnings of prior years and a part of which retained as the capital required for the business growth, and then the Board of Directors shall prepare the earnings distribution proposal and submit it to the shareholders' meeting for resolution.

At the shareholders' meetings of AWEA held on June 7, 2023 and June 15, 2022, respectively, the Company resolved to approve the earning distribution plan and the dividends per share for the years 2022 and 2021, respectively, as follows:

| | Earning distribution plan | | Dividends per share (NT$) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $ 35,790 | $ 13,278 | | |
| The distribution items are as follows: | | | | |
| Capital surplus | - | 28,979 | $ - | $ 0.3 |
| Cash dividends | 154,551 | 115,913 | 1.6 | 1.2 |

The above distribution of earnings did not differ from the resolutions made by the Board of Directors of AWEA on March 13, 2023 and March 15, 2022, respectively.

Information on the earning distribution condition proposed by the Board of Directors and resolved by the Shareholders' Meeting, is available on the "Market Observation Post System" website of the Taiwan Stock Exchange.

The distribution of earnings for 2023 had been approved by the Board of Directors of AWEA on March 5, 2024 as follows:

| | Earning distribution plan | Dividends per share (NT$) |
|---|---|---|
| | 2023 | 2023 |
| Legal reserve | $ 20,149 | |
| The distribution items are as follows: | | |
| Cash dividends | 144,891 | $ 1.5 |

The distribution of earnings for 2023 is to be resolved by the shareholders' meeting to be held on June 18, 2024.

(XXI) Other equity items

Exchange differences arising from the translation adjustments of the financial statements of foreign operations are the relevant exchange differences generated from the translation of the functional currency of the net assets of foreign operations into AWEA's presentation currency (i.e., New Taiwan dollars), and are recognized directly in other comprehensive income. The losses and gains recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were NT$(14,590) thousand and NT$18,524 thousand, respectively.

(XXII) Non-controlling interests

| | 2023 | 2022 |
|---|---|---|
| Opening balance | $ 115,519 | $ 119,261 |
| Shares attributable to non-controlling interests | | |
| Net profit (loss) | (20,505) | (4,856) |
| Other comprehensive income | (1,273) | 1,114 |
| Ending balance | $ 93,741 | $ 115,519 |

(XXIII) Operating revenue

| | 2023 | 2022 |
|---|---|---|
| Total operating revenue | $ 2,370,121 | $ 3,108,963 |
| Less: Sales returns and discounts | (8,204) | (8,446) |
| | $ 2,361,917 | $ 3,100,517 |

| | 2023 | 2022 |
|---|---|---|
| Sales revenue | $ 2,241,199 | $ 2,957,565 |
| Maintenance and other income | 120,718 | 142,952 |
| | $ 2,361,917 | $ 3,100,517 |

1. Revenue segmentation

Major sales market by geography:

| | 2023 | 2022 |
|---|---|---|
| Domestic sales | $ 279,683 | $ 806,651 |
| Export | | |
| Asia | 1,444,129 | 1,483,083 |
| America | 327,990 | 377,286 |
| Europe | 275,380 | 427,914 |
| Other countries | 34,735 | 5,583 |
| | $ 2,361,917 | $ 3,100,517 |

2. Contract balance:

(1) Changes in contract liabilities result from the difference between the fulfillment of contractual obligations and the payment from customers.

| | 2023 | 2022 |
|---|---|---|
| Contract liabilities | $ 172,215 | $ 225,013 |

(2) Amount of opening contract liabilities recognized as revenue in current period is:

| | 2023 | 2022 |
|---|---|---|
| Sales revenue | $ 168,298 | $ 201,348 |

(XXIV) Other income

| | 2023 | 2022 |
|---|---|---|
| Rental income | $ 12,964 | $ 11,570 |
| Dividend revenue | 23,308 | 18,114 |
| Other income | 29,194 | 16,327 |
| | $ 65,466 | $ 46,011 |

(XXV) Other gains and losses

| | 2023 | 2022 |
|---|---|---|
| Foreign currency exchange gain (loss) | $ 5,961 | $ 127,208 |
| Net gain on disposal of property, plant and equipment | 61 | 211 |
| Gains from disposal of financial assets | 2,841 | 2,095 |
| Gain (loss) on financial valuation at fair value through profit or loss | 123,694 | (11,149) |
| Others | (471) | (565) |
| | $ 132,086 | $ 117,800 |

(XXVI) Finance costs

| | 2023 | 2022 |
|---|---|---|
| Interest on bank loans | $ 32,703 | $ 25,834 |
| Interest on lease liabilities | 57 | 168 |
| | $ 32,760 | $ 26,002 |

(XXVII) Employee benefits, depreciation and amortisation expense

| | 2023 | | |
|---|---|---|---|
| | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefits expense | | | |
| Salary expense | $ 203,634 | $ 132,536 | $ 336,170 |
| Labor and health insurance expense | 20,027 | 12,488 | 32,515 |
| Pension expense | 12,438 | 8,603 | 21,041 |
| Director's remuneration | - | 3,773 | 3,773 |
| Other employee benefit expenses | 4,981 | 5,503 | 10,484 |
| Depreciation | 84,708 | 27,078 | 111,786 |
| Amortisation | 488 | 2,264 | 2,752 |

| | 2022 | | |
|---|---|---|---|
| | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefits expense | | | |
| Salary expense | $ 221,718 | $ 149,619 | $ 371,337 |
| Labor and health insurance expense | 20,787 | 12,855 | 33,642 |
| Pension expense | 13,174 | 7,929 | 21,103 |
| Director's remuneration | - | 2,440 | 2,440 |
| Other employee benefit expenses | 7,324 | 6,471 | 13,795 |
| Depreciation | 87,623 | 27,457 | 115,080 |
| Amortisation | 517 | 2,448 | 2,965 |

As of December 31, 2023 and 2022, the Company had 532 and 594 employees, respectively, including 7 and 5 directors who were not employees concurrently.

In accordance with the Company's Articles of Incorporation, if the Company makes a profit during the year, the Company shall set aside not less than 3% to 8% as compensation to employees and not more than 2% as remuneration to directors and supervisors. The Company may distribute the above compensation to employees of its subsidiaries who meet certain criteria, and the terms and methods of distribution shall be determined by the Board of Directors. However, if the Company has accumulated deficit, an amount to cover such deficit shall be reserved in advance.

In 2023, the Company estimated employees' compensation of NT$16,000 thousand and directors' and supervisors' remuneration of NT$2,750 thousand, respectively. The estimation is based on the past experience of actual distribution, the net income of the current period, and the percentage specified in the Articles of Incorporation, and the estimates are recognized as operating costs or expenses in the current year. If the actual distributed amounts in the following year are different from the estimates, they shall be handled as changes in accounting estimates, and the difference will be recognized as the profit or loss of the following year, with the related information disclosed on the Market Observation Post System (MOPS).

In 2022, the Company's compensation to employees and remuneration to directors and supervisors amounted to NT$16,000 thousand and NT$1,800 thousand, respectively, and the related information is available on the MOPS. There was no difference between the actual distributed amounts and the estimated amounts.

The information on the Company's salary and remuneration policy (including directors, supervisors, managerial officers and employees) is as follows:

1. Remuneration to directors

   The Company's general directors and independent directors' remuneration policy is determined according to their responsibilities, risks, invested time and other factors. In accordance with the Articles of Association of the Company, the remunerations to the Chairman, Vice-Chairman and directors of the Company shall be authorized to be determined by the Board of Directors according to the degree of their participation in the operation of the Company and the value of their contributions, taking into account both the domestic and foreign industry standards. The Articles of Association also separately provide for a remuneration of the directors to be not more than 2% of the annual profit of the Company.

2. Remuneration to supervisor

   Since June, 2020, the Company established an Audit Committee to replace the supervisor system.

3. Remuneration to the managerial officers

   The remuneration of the managerial officers of the Company shall be considered by the Remuneration Committee and submitted to the Board of Directors for resolution based on their positions, contributions, the Company's operating performance for the year and taking into account the Company's future risks.

4. Compensation to the employees

   Compensation to the employees includes monthly payment and unscheduled performance bonus, year-end bonus, and employee compensation based on the Company's profitability. As stipulated in the Articles of Association, not less than 3% - 8% of the annual profit of the Company shall be used as the compensation to the employees.

In addition to setting competitive salary levels based on local labor market conditions, the Company's (overseas) subsidiaries also provide annual bonuses to employees with reference to local laws and regulations, industry practices, and the overall operating performance of each subsidiary, in order to encourage employees to make long-term contributions and grow with the Company.

(XXVIII) Income tax

1. Income tax expense (benefit)

Income tax expenses for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Current income tax: | | |
| Income tax generated in current year | $ 79,616 | $ 75,692 |
| Adjustment on income tax of prior years | (4,073) | 735 |
| Deferred income tax | | |
| Deferred tax expense (benefit) related to the generation and reversal of temporary differences | (30,750) | 34,074 |
| Income tax expense (benefit) | $ 44,793 | $ 110,501 |

(1) The components of income tax expense recognized in profit or loss for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Net profit before tax | $ 235,099 | $ 459,788 |
| Tax amount calculated by applying statutory rate to net profit before tax | $ 47,020 | $ 91,957 |
| Influenced tax amount of adjusted items: | | |
| Impacts of items not included for calculation of taxable income | 23,197 | 28,042 |
| Impact of different tax rates applied to parent-subsidiary companies | 16,217 | (27,560) |
| Income tax reduction | (14,662) | (16,747) |
| Tax on undistributed earnings | 7,844 | - |
| Adjustment on income tax of prior years | (4,073) | 735 |
| Net change in deferred income tax | | |
| Temporary differences | (30,750) | 34,074 |
| Income tax expense (benefit) recognized in profit or loss | $ 44,793 | $ 110,501 |

(2) Income tax expenses (benefits) recognized under other comprehensive income are as follows:

| | 2023 | 2022 |
|---|---|---|
| Items that will not be reclassified subsequently to profit or loss | | |
| Remeasurement of defined benefit plan | $ (70) | $ 659 |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange difference on translation of financial statements of foreign operations | $ (3,648) | $ 4,631 |

2. Deferred tax assets and liabilities are classified as follows:

| | Deferred tax assets | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Exceeding amount of allowance for uncollectible accounts | $ 2,423 | $ 3,285 |
| Unrealized exchange losses | - | (21,495) |
| Unrealized loss on market value decline and obsolete and slow-moving inventories | 97,724 | 82,583 |
| Unrealized sales profit | 5,867 | 6,765 |
| Unrealized attendance bonus | 1,587 | 1,309 |
| Unrealized warranty expense | 767 | 1,054 |
| Loss deduction | 19,349 | 18,625 |
| Exceeding amount of pension and actuarial loss | 1,382 | 1,785 |
| Exchange difference on translation of financial statements of foreign operations | 10,950 | 7,302 |
| Investment tax credit - Resource-poor areas | - | - |
| Others | 59 | 70 |
| | $ 140,108 | $ 101,283 |

| | Deferred income tax liabilities | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| Unrealized exchange income or loss | $ | 4,165 | $ | 262 |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | | 112,666 | | 111,962 |
| | $ | 116,831 | $ | 112,224 |

| 2023 | | Opening balance | | Recognized in profit or loss | | Recognized in other comprehensive income | | Impacts of exchange rate | | Ending balance |
|---|---|---|---|---|---|---|---|---|---|---|
| Temporary differences | | | | | | | | | | |
| Exceeding amount of allowance for uncollectible accounts | $ | 3,285 | $ | (851) | $ | - | $ | (11) | $ | 2,423 |
| Unrealized exchange losses | | (21,495) | | 21,495 | | - | | - | | - |
| Unrealized loss on market value decline and obsolete and slow-moving inventories | | 82,583 | | 15,376 | | - | | (235) | | 97,724 |
| Unrealized sales profit | | 6,765 | | (898) | | - | | - | | 5,867 |
| Unrealized attendance bonus | | 1,309 | | 281 | | - | | (3) | | 1,587 |
| Unrealized warranty expense | | 1,054 | | (287) | | - | | - | | 767 |
| Loss deduction | | 18,625 | | 724 | | - | | - | | 19,349 |
| Exceeding amount of pension and actuarial loss | | 1,785 | | (473) | | 70 | | - | | 1,382 |
| Exchange difference on translation of financial statements of foreign operations | | 7,302 | | - | | 3,648 | | - | | 10,950 |
| Investment tax credit - Resource-poor areas | | - | | - | | - | | - | | - |
| Others | | 70 | | (11) | | - | | - | | 59 |
| Total deferred tax assets | $ | 101,283 | $ | 35,356 | $ | 3,718 | $ | (249) | $ | 140,108 |
| Unrealized exchange income or loss | $ | 262 | $ | 3,903 | $ | - | $ | - | $ | 4,165 |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | | 111,962 | | 704 | | - | | - | | 112,666 |
| Total deferred income tax liabilities | $ | 112,224 | $ | 4,607 | $ | - | $ | - | $ | 116,831 |

| 2022 | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Impacts of exchange rate | Ending balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Exceeding amount of allowance for uncollectible accounts | $ 8,734 | $ (5,885) | $ - | $ 436 | $ 3,285 |
| Unrealized exchange losses | 8,580 | (30,075) | - | - | (21,495) |
| Unrealized loss on market value decline and obsolete and slow-moving inventories | 74,935 | 6,418 | - | 1,230 | 82,583 |
| Unrealized sales profit | 5,784 | 981 | - | - | 6,765 |
| Unrealized attendance bonus | 1,522 | (219) | - | 6 | 1,309 |
| Unrealized warranty expense | 871 | 183 | - | - | 1,054 |
| Loss deduction | 18,977 | (352) | - | - | 18,625 |
| Exceeding amount of pension and actuarial loss | 2,544 | (100) | (659) | - | 1,785 |
| Exchange difference on translation of financial statements of foreign operations | 11,933 | - | (4,631) | - | 7,302 |
| Investment tax credit - Resource-poor areas | 14,250 | (14,250) | - | - | - |
| Others | 80 | (10) | - | - | 70 |
| Total deferred tax assets | $ 148,210 | $ (43,309) | $ (5,290) | $ 1,672 | $ 101,283 |
| Unrealized exchange income or loss | $ - | $ 262 | $ - | $ - | $ 262 |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | 121,459 | (9,497) | - | - | 111,962 |
| Total deferred income tax liabilities | $ 121,459 | $ (9,235) | $ - | $ - | $ 112,224 |

3. Information on investment tax credit:

The Company chose to apply the investment tax credit to the research and development expenditures under Article 10, paragraph 1, subparagraph 1 of the Statute for Industrial Innovation, and offset the amount of income tax payable for the current year up to a limit of 15% of the amount of research and development expenditures declared in accordance with the relevant regulations.

The Company chose to apply the tax credit method to investment in intelligent machinery, fifth-generation mobile communication systems and information security products or services by corporations or limited partnerships, and offset the amount of income tax payable for the current year up to a limit of 5% of the amount of expenditures for information security products declared in accordance with the relevant regulations.

4. As of December 31, 2023, all of the estimated income tax credits under the Rules of the Statute for Upgrading Industries have been offset by the Company in the current year.
5. The Company's business income tax returns for the year 2021 have been approved by the tax authority.

(XXIX) Earnings per share

| | 2023 | | |
|---|---|---|---|
| | Amount | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (NT$) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent company | $ 210,811 | 96,594 | $ 2.18 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent company | $ 210,811 | 96,594 | |
| Effect of potential dilutive common shares - Employees' compensation | - | 492 | |
| Profit attributable to ordinary shareholders of the parent company plus effect of potential ordinary shares | $ 210,811 | 97,086 | $ 2.17 |

| | 2022 | | |
|---|---|---|---|
| | Amount | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (NT$) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent company | $ 354,143 | 96,594 | $ 3.67 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent company | $ 354,143 | 96,594 | |
| Effect of potential dilutive common shares - Employees' compensation | - | 516 | |
| Profit attributable to ordinary shareholders of the parent company plus effect of potential ordinary shares | $ 354,143 | 97,110 | $ 3.65 |

If the Company chooses to issue stock or cash as compensation to employees, for compensation to be paid by issuance of shares, the potential common shares shall be included in the weighted average number of outstanding shares when such shares have a dilutive effect for the purpose of calculating diluted earnings per share. In calculating the diluted earnings per share, the number of shares to be issued is based on the net value of the potential common share on the balance sheet date. The dilutive effect of such potential common shares shall continue to be taken into account in calculating the diluted earnings per share until the number of shares to be issued as employees' compensation is resolved at the shareholders' meeting in the following year.

(XXX) Capital management

Based on the current industry characteristics of the business and the future development of the Company, as well as changes in the external environment and other factors, the Company plans for its working capital and dividend expense requirements in the future, so as to ensure that the Company can continue its operations, reward its shareholders and take into account the interests of other stakeholders, and maintain an optimal capital structure to enhance shareholders' value in the long term.

The Company's management reviews its capital structure on a regular basis and considers the costs and risks that may be associated with the above capital structure. In general, the Company adopts a prudent risk management strategy.

(XXXI) Supplemental cash flow information

Investing activities with partial cash payments:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Purchase of property, plant and equipment | $ | 49,476 | $ | 20,949 |
| Add: Opening payables on equipment and construction | | 2,378 | | 3,769 |
| Interest capitalization | | - | | - |
| Less: Ending payables on equipment and construction | | (212) | | (2,378) |
| Cash paid during the year | $ | 51,642 | $ | 22,340 |

## VII. Related Party Transactions

(I) Parent Company and the ultimate controlling party

Goodway Machine Corp. is the ultimate controlling party of the Group to which the Company belongs.

(II) Names of related parties and relationship

| Related party name | Relationship with the Company |
|---|---|
| Goodway Machine Corp. | Ultimate parent company |
| YAMA SEIKI USA,INC. | Associates |
| Goodway Machine Corp. (Wujiang) | Associates |
| Huahan Leasing Co., Ltd. | Associates |
| Allrich Cnc, Ltd. | Substantive related party |
| Hung Jiu Machine Co., Ltd. | Substantive related party |
| Turvo International Co., Ltd. | Other related parties |
| Boldwin Bio Co., Ltd. | Other related parties |

(III) Significant transactions with the related parties

The transactions between AWEA and its subsidiaries, account balances, revenues and expenses have been eliminated upon consolidation and are therefore not disclosed in this note. The details of the transactions between AWEA and other related parties are summarized as follows:

1. Sales

| | 2023 | 2022 |
|---|---|---|
| Parent company | $ 8,705 | $ 1,396 |
| Associates | | |
| Yama Seiki | 299,505 | 240,190 |
| Others | 75,585 | 56,017 |
| Other related parties | 93 | 1 |
| | $ 383,888 | $ 297,604 |

The Company sells products of different specifications to related parties, and has no other customers to compare with. The collection terms for the Company's sales to related parties and general customers are based on the contracts.

2. Purchases

| | 2023 | 2022 |
|---|---|---|
| Parent company | $ 1,221 | $ 396 |
| Associates | 6,633 | 247 |
| Substantive related party | 4,204 | 3,573 |
| Other related parties | 34 | - |
| | $ 12,092 | $ 4,216 |

The transaction prices of the Company's purchases from related parties are similar to those of general transactions.

3. Notes receivable, net

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 852 | $ 1,030 |
| Associates | - | 3,244 |
| Other related parties | 6 | - |
| | $ 858 | $ 4,274 |

4. Accounts receivable, net

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 10 | $ 170 |
| Associates | | |
| Yama Seiki | 43,474 | 33,396 |
| Others | 222 | - |
| Other related parties | 35 | - |
| | $ 43,741 | $ 33,566 |

5. Notes payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 267 | $ 146 |
| Substantive related party | 263 | 368 |
| Other related parties | 36 | - |
| | $ 566 | $ 514 |

6. Accounts payable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 129 | $ 40 |
| Substantive related party | 221 | 759 |
| | $ 350 | $ 799 |

7. Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 1,042 | $ 1,178 |
| Associates | 281 | 819 |
| Other related parties | 16 | 10 |
| | $ 1,339 | $ 2,007 |

8. Prepayments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 26 | $ 29 |
| Other related parties | - | 48 |
| | $ 26 | $ 77 |

9. Advance receipts

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 190 | $ 1,045 |
| Associates | - | 9,550 |
| | $ 190 | $ 10,595 |

10. Current lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ 499 | $ 1,190 |

11. Non-current lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Parent company | $ - | $ 499 |

12. Property transaction

Disposal of property, plant and equipment

| | | 2023 | |
|---|---|---|---|
| | Items | Proceeds | Gain on disposal |
| Parent company | - | $ - | $ - |

| | | 2022 | |
|---|---|---|---|
| | Items | Proceeds | Gain on disposal |
| Parent company | Machinery equipment | $ 23 | $ 8 |

13. Leases

| Rental income | 2023 | 2022 |
|---|---|---|
| Parent company | $ 1,146 | $ 1,110 |
| Other related parties | 43 | - |
| | 1,189 | 1,110 |

| Rent expense | 2023 | 2022 |
|---|---|---|
| Parent company | $ 120 | $ 120 |

14. Others

| Other income | 2023 | 2022 |
|---|---|---|
| Parent company | $ 369 | $ 461 |
| Associates - Yama Seiki | 16,970 | 84 |
| | $ 17,339 | $ 545 |

| Manufacturing expenses | 2023 | 2022 |
|---|---|---|
| Parent company | $ 715 | $ 770 |
| Associates | 475 | 7 |
| Substantive related party | 2,610 | - |
| Other related parties | 38 | 66 |
| | $ 3,838 | $ 843 |

| Selling and marketing expenses | 2023 | | 2022 | |
|---|---|---|---|---|
| Parent company | $ | 2,430 | $ | 2,392 |
| Associates | | 7 | | 10 |
| Other related parties | | 70 | | 77 |
| | $ | 2,507 | $ | 2,479 |

| General and administrative expenses | 2023 | | 2022 | |
|---|---|---|---|---|
| Parent company | $ | 3 | $ | 44 |
| Associates | | 4,059 | | 5,691 |
| | $ | 4,062 | $ | 5,735 |

15. Information on main management rewards

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Short-term employee benefits | $ | 9,379 | $ | 15,382 |
| Post-employment benefits | | 279 | | 400 |
| | $ | 9,658 | $ | 15,782 |

Compensation for key management personnel is determined by the Remuneration Committee based on individual performance and the Company's operating results.

## VIII. Pledged Assets

The Company's assets pledged as collaterals are summarized as follows:

| Name of asset | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Property, plant and equipment - land | $ | 377,341 | $ | 377,341 |
| Property, plant and equipment - property and building | | 718,383 | | 754,425 |
| Other current assets - restricted bank deposit | | - | | 188,170 |
| Right-of -use asset - land-use right | | 89,038 | | 94,032 |
| Financial assets measured at amortized cost - pledged time deposits | | 10,137 | | - |
| | $ | 1,194,899 | $ | 1,413,968 |

The financial assets measured at amortized cost are performance security guarantees in the deposit pledge provided by Awea Company to rent the land of Central Taiwan Science Park.

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

The Company's commitments and contingencies as of December 31, 2023 include:

(I) The amount of guaranteed bills issued by the Company was NT$2,786 thousand.

(II) The amount of guaranteed bills collected by the Company from the customers was NT$69,866 thousand.

(III) The amount of guaranteed bills collected by the Company from the manufacturers due to solar photovoltaic lease was NT$ 21,180 thousand.

(IV) The amount of guaranteed bills received by the Company for the construction of Dapumei Plant Phase II was NT$21,780 thousand.

(V) The amount of the loan guarantee notes collected by Company from the subsidiary - Yih Chuan Company were NT$ 70,000 thousand.

(VI) In order to guarantee the release of imported goods before paying tax to the Customs Administration, the Company has entrusted the First Bank to issue a guarantee letter at the amount of NT$2,000 thousand.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others

Financial instruments

(I) Information on fair value of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value, including cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, bonds payable, long-term borrowings, and guarantee deposits received, are the reasonable approximates of their fair values. The interest rates of bonds payable (including those due within one year or under repurchase rights) and long-term loans (including those due within one year) approximate market interest rates; therefore, the carrying amounts should be a reasonable basis for approximation of fair values. For information on the fair value of financial instruments measured at fair value, please refer to Note XII (VI).

(II) Financial risk management objectives

The objectives of the Company's financial risk management are to manage the market risk (foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk associated with its operating activities. In order to reduce relevant financial risks, the Company is committed to identifying, evaluating and avoiding market uncertainties, so as to reduce the potential adverse impact of market changes on the Company's financial performance.

Significant financial activities of the Company are reviewed by the Board of Directors in accordance with relevant norms and internal control systems. During the execution period of the financial plan, the Company must comply with the relevant financial operating procedures regarding the overall financial risk management and the division of rights and responsibilities.

(III) Market risks

The Company is primarily exposed to market risks arising from changes in foreign currency exchange rates and interest rates, and uses certain derivative financial instruments to manage the related risks.

1. Foreign currency exchange rate risk

Some of the Company's cash inflows and outflows are in foreign currencies, which has a partially natural hedging effect; the Company's exchange rate risk management is for hedging purpose, other than for profit purpose.

The exchange rate risk management strategy is to periodically review net parts of the assets and liabilities in various currencies, and make risk management of such parts.

The carrying amounts of the Company's foreign-currency-denominated monetary assets and monetary liabilities at the end of the reporting period are summarized below:

Unit: Foreign currency/ NT$ thousand

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currencies | Exchange rate (Note) | NTD | Rate of change | Profit and loss impact | Equity impact |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | 28,189 | 30.655 | 864,134 | 5% | 43,207 | - |
| EUR | 5,354 | 33.78 | 180,858 | 5% | 9,043 | - |
| CNY | 29,309 | 4.302 | 126,087 | 5% | 6,304 | - |
| AUD | 1 | 20.88 | 21 | 5% | 1 | - |
| Non-monetary items | | | | | | |
| USD | - | - | - | - | - | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 338 | 30.655 | 10,361 | 5% | 518 | - |
| JPY | 6,602 | 0.2152 | 1,421 | 5% | 71 | - |
| CNY | 35 | 4.302 | 151 | 5% | 8 | - |
| Non-monetary items | | | | | | |
| USD | 835 | 30.655 | 25,597 | - | - | - |
| EUR | 1 | 33.78 | 34 | - | - | - |

Unit: Foreign currency/ NT$ thousand

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currencies | Exchange rate (Note) | NTD | Rate of change | Profit and loss impact | Equity impact |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | 57,809 | 30.66 | 1,772,424 | 5% | 88,621 | - |
| EUR | 3,014 | 32.52 | 98,015 | 5% | 4,901 | - |
| CNY | 8,906 | 4.383 | 39,035 | 5% | 1,952 | - |
| AUD | 1 | 20.73 | 21 | 5% | 1 | - |
| Non-monetary items | | | | | | |
| USD | - | - | - | - | - | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 150 | 30.66 | 4,599 | 5% | 230 | - |
| JPY | 2,869 | 0.2304 | 661 | 5% | 33 | - |
| CNY | 90 | 4.383 | 394 | 5% | 20 | - |
| Non-monetary items | | | | | | |
| USD | 1,551 | 30.66 | 47,554 | - | - | - |

(Note) Based on the exchange rate at the end of the reporting period.

2. Interest rate risk

Interest rate risk is the risk of changes in fair value of financial instruments due to changes in market interest rates. The Company's interest rate risk arises mainly from borrowings at variable interest rates.

If the borrowings at floating rate at the end of the reporting period are held for the entire reporting period, a 1% increase in interest rates would result in a decrease in net income before tax of NT$16,568 thousand.

3. Other price risk

The price risk of the Company's equity instrument investments arises mainly from the financial asset investments classified as measured at fair value through profit or loss.

If the price of equity instruments at the end of the reporting period decreases by 10%, the Company's income would decrease by NT$53,892 thousand and NT$38,746 thousand in 2023 and 2022, respectively.

(IV) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company's credit risk mainly comes from receivables arising from operating activities and bank deposits arising from investment activities. The operation-related credit risks and the financial credit risks are under separate management.

1. Operation-related credit risks

In order to maintain quality of accounts receivable, the Company has established the procedure for management of operation-related credit risks. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each new customer. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

The risk assessment of individual customers takes into account many factors that may affect the customers' ability to pay, including the customers' financial position, ratings of credit rating agency, the Company's internal credit rating, historical transaction records and current economic conditions, etc. The Company also utilizes certain credit enhancement tools, such as credit insurance, when appropriate, to minimize the credit risk of specific customers.

As of December 31, 2023 and 2022, the balance of accounts receivable of the top ten customers accounted for 69% and 60% of the Company's balance of accounted receivable respectively, and the credit concentration risk of the remaining accounts receivable was relatively insignificant.

2. Financial credit risk

The credit risk of bank deposits is measured and monitored by the financial departments of the Company. As the Company's trading partners and performing parties are banks with good credit and financial institutions, corporate organizations and government agencies with investment grade or above, without significant concern about performance of the contract, therefore, there is no significant credit risk.

(V) Liquidity risk

The Company's objective in managing liquidity risk is to maintain cash and cash equivalents and sufficient bank facilities required for maintaining operations, so as to ensure sufficient financial resilience of the Company.

The following table summarizes the financial liabilities of the Company during the agreed repayment period by maturity date and undiscounted maturity amount:

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | 1 to 3 months | 4 to 6 months | 7 to 12 months | Over 1 years | Total |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | $ 1,229,530 | $ 185,000 | $ 162,322 | $ - | $ 1,576,852 |
| Short-term notes and bills payable | 79,987 | - | - | - | 79,987 |
| Notes payable (including related parties) | 204,818 | 57,929 | - | - | 262,747 |
| Accounts payable (including related parties) | 165,202 | 42 | 137 | 239 | 165,620 |
| Other payables (including related parties) | 113,517 | - | - | - | 113,517 |
| Provisions | 12,935 | - | - | - | 12,935 |
| Lease liabilities (including related parties) | 334 | 235 | 69 | 280 | 918 |
| Guarantee deposits received | 1,911 | - | - | - | 1,911 |
| | $ 1,808,234 | $ 243,206 | $ 162,528 | $ 519 | $ 2,214,487 |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | 1 to 3 months | 4 to 6 months | 7 to 12 months | Over 1 years | Total |
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | $ 1,556,298 | $ 256,038 | $ 142,613 | $ - | $ 1,954,949 |
| Short-term notes and bills payable | 289,641 | - | - | - | 289,641 |
| Notes payable (including related parties) | 315,393 | 78,970 | - | - | 394,363 |
| Accounts payable (including related parties) | 200,289 | 282 | 234 | 1,306 | 202,111 |
| Other payables (including related parties) | 130,896 | - | - | - | 130,896 |
| Provisions | 12,445 | - | - | - | 12,445 |
| Lease liabilities (including related parties) | 2,845 | 2,851 | 5,724 | 918 | 12,338 |
| Guarantee deposits received | 2,183 | - | - | - | 2,183 |
| | $ 2,509,990 | $ 338,141 | $ 148,571 | $ 2,224 | $ 2,998,926 |

(VI) Fair value

1. For information on the fair value of the Company’s financial instruments not measured at fair value, please refer to Note 12, (1).
2. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
   (1) Level 1: The inputs to this level are publicly quoted prices (unadjusted) in active markets for identical assets or liabilities. Active market means a market that meets all of the following conditions: the products traded in the market are homogeneous; willing buyers and sellers are readily available in the market, and the price information is readily available to the public.
   (2) Level 2: the input values of this level are observable prices other than publicly quoted prices in Level 1, including direct (such as prices) or indirect (such as derived from prices) observable input values obtained from the active market.
   (3) Level 3: the input values of this level are not inputs for assets or liabilities that are based on observable market data.

   For the years ended December 31, 2023 and 2022, the Company had no transfer between Level 1 and Level 2.

   For the years ended December 31, 2023 and 2022, the Company had no transfer into or out from Level 3.

3. The methods and assumptions the Company used to measure fair value are as follows:
   (1) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined by reference to quoted market prices.
   (2) The fair values of other financial liabilities are determined using generally accepted valuation models based on discounted cash flow analysis.
4. Fair value hierarchy

   The fair value hierarchy of the Company's financial assets measured at fair value is as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTPL | | | | |
| Listed and OTC stocks | $ 536,929 | $ - | $ - | $ 536,929 |
| Financial assets at FVTOCI | | | | |
| Listed and OTC stocks | 1,991 | - | - | 1,991 |
| | $ 538,920 | $ - | $ - | $ 538,920 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTPL | | | | |
| Listed and OTC stocks | $ 377,002 | $ - | $ - | $ 377,002 |
| Financial assets at FVTOCI | | | | |
| Listed and OTC stocks | 10,458 | - | - | 10,458 |
| | $ 387,460 | $ - | $ - | $ 387,460 |

## XIII. Additional Disclosures

(I) Significant transactions information

1. Loaning funds to others: Refer to Table 1.
2. Provision of endorsements and guarantees to others: None.
3. Holding of marketable securities at the end of the period (not including investment in subsidiaries, associates and joint ventures): Refer to Table 2.
4. Acquisition or sale of the same security with the accumulated cost exceeding

NT$300 million or 20% of the Company’s paid-in capital: None.

5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to Table 3.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;
9. Derivative transactions: Please refer to Note 12 for details.
10. The business relationship between the parent and the subsidiaries and significant transactions between them: Refer to Table 4.

(II) Information on investees: Refer to Table 5.

(III) Information on Investment in Mainland China: Refer to Table 6.

(IV) Information on major shareholders: Refer to Table 7.

Table 1: Loaning Funds to Others

December 31, 2023

Unit: NT$ thousand (unless stated otherwise)

| No. (Note 1) | Companies loaning fund | Companies that fund is loaned to | Transaction items | Related party | Maximum amount of the current period (Note 3) | Ending balance (Note 4) | Amount drawn | Interest rate | Type of loans | Amount of transaction | Cause for necessity of short-term financing | Amount of allowance for uncollectible accounts | Collateral | | Loaning limit to individual objects (Note 2) | Total loaning limit to others (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | Other receivables - related parties | Yes | 150,000 | 70,000 | 60,000 | 2.05% | With necessity of short-term financing | 140 | Operating turnover | - | Promissory note | 70,000 | 329,385 | 1,317,541 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | Other receivables - related parties | Yes | 107,930 (CNY 25,000) | 107,930 (CNY 25,000) | 43,020 | 3.45% ~ 3.55% | With necessity of short-term financing | - | Operating turnover | - | - | - | 150,752 | 150,752 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Other receivables - related parties | Yes | 29,216 (CNY 6,700) | 21,765 (CNY 5,000) | - | 3.45% | With necessity of short-term financing | - | Operating turnover | - | - | - | 150,752 | 150,752 |

Note 1: The explanation for the numbering column is as follows:

(1) Fill in 0 for issuer.

(2) The investees are coded sequentially beginning from “1” by each individual company.

Note 2: The loaning limit to individual objects shall not exceed 10% of their net value of the current period, and the total loaning limit shall not exceed 40% of their net value of the current period.

Note 3: The maximum balance of loaning funds to others of the current year.

Note 4: It is the loaning limit approved by the Board of Directors.

Table 2: Holding of Marketable Securities at the End of the Period (Not Including Investment in Subsidiaries, Associates and Joint Ventures)

December 31, 2023

Unit: NT$ thousand (unless stated otherwise)

| Held company name | Marketable securities type and name | Relationship with the company | Financial statement account | December 31, 2023 | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Carrying amount | Ownership (%) | Fair value (Note 1) | |
| AWEA Mechantronic Co., Ltd. | Stock- AUTECH EUROPE | - | Financial assets at FVTPL - non-current | 50 | - (Note 2) | 5.00% | - | |
| AWEA Mechantronic Co., Ltd. | Stock- P-Duke Technology Co., Ltd. | - | Financial assets at FVTPL - current | 1,063,852 | 102,555 | 1.29% | 102,555 | |
| AWEA Mechantronic Co., Ltd. | Stock- Turvo International Co., Ltd. | Other related parties | Financial assets at FVTPL - current | 2,873,000 | 399,347 | 4.77% | 399,347 | |
| AWEA Mechantronic Co., Ltd. | Stock- Eagle Cold Storage Enterprise Co., Ltd. | - | Financial assets at FVTPL - current | 968,000 | 29,040 | 0.81% | 29,040 | |
| AWEA Mechantronic Co., Ltd. | Stock- Taiwan Semiconductor Manufacturing Company Limited | - | Financial assets at FVTPL - current | 10,000 | 5,930 | - | 5,930 | |
| AWEA Mechantronic Co., Ltd. | Stock- Zeng Hsing Industrial Co., Ltd. | - | Financial assets at FVTPL - current | 534 | 57 | - | 57 | |
| AWEA Mechantronic Co., Ltd. | Stock- Fittech Co., Ltd. | - | Financial assets at FVOCI - non-current | 29,846 | 1,991 | 0.04% | 1,991 | |

Note 1: If the investee company does not have a quoted market price, the net equity value shall be presented.

Note 2: In 1996, due to value impairment and little hope of recovery of the investee companies, all were recognized as losses.

Table 3: Purchases or Sales of Goods from or to Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

| Company name | Counterparty | Relationship | Transaction details | | | | Abnormal transaction (Note 1) | | Notes/ accounts payable or receivable | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases / sales | Amount | % to Total | Payment terms | Unit price | Payment terms | Ending balance | % to total notes and accounts receivable (payable) | |
| AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | Subsidiaries under sub-subsidiaries | Sales | $ 255,365 | 16.24% | 3 months after shipped | - | - | $ 78,173 | 16.07% | - |
| AWEA Mechantronic Co., Ltd. | Yama Seiki USA, Inc. | Subsidiaries | Sales | $ 299,505 | 19.05% | 3 months after shipped | - | - | $ 43,474 | 8.94% | - |

Note 1: Since the products sold by the Company to its related parties AWEA Suzhou and Yama Seiki have different features, there are no other customers available for comparison; in addition, its collection terms and the collection terms for general customers are determined by contract.

Table 4: The Business Relationship Between the Parent and the Subsidiaries and Significant Transactions Between Them

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

| No. (Note 1) | Company name | Counterparty | Relationship to the counterparty (Note 2) | Terms | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Terms | % to total consolidated revenue or assets (Note 4) |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Sales revenue | 140 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Incoming goods (materials) | 11,872 | (Note 3) | 0.5% |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Account receivables | 30 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Other receivables | 61,626 | (Note 3) | 1.0% |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Notes payable | 1,821 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Accounts payable | 1,209 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Interest income | 1,423 | (Note 3) | 0.1% |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Operating cost - after-sales service expenses | 85 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | 1 | Other non-operating income | 1,514 | (Note 3) | 0.1% |
| 0 | AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | 1 | Sales revenue | 255,365 | (Note 3) | 10.8% |
| 0 | AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | 1 | Purchases | 202 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | 1 | Account receivables | 78,173 | (Note 3) | 1.3% |
| 0 | AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | 1 | Other payables | 151 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | 1 | Manufacturing - repairs and maintenance expense | 234 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | 1 | Sales - warranty expenses | 201 | (Note 3) | - |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | 1 | Sales revenue | 19 | (Note 3) | - |

| No. (Note 1) | Company name | Counterparty | Relationship to the counterparty (Note 2) | Terms | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Terms | % to total consolidated revenue or assets (Note 4) |
| 1 | Awea Mechantronic (Suzhou) Ltd. | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | 3 | Other payables | 43,020 | (Note 3) | 0.7% |
| 1 | Awea Mechantronic (Suzhou) Ltd. | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | 3 | Finance costs - interest expense | 2,383 | (Note 3) | 0.1% |
| 1 | Awea Mechantronic (Suzhou) Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | 3 | Sales revenue | 1 | (Note 3) | - |
| 2 | Yih Chuan Machinery Industry Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | 3 | Account receivables | 1,256 | (Note 3) | - |
| 2 | Yih Chuan Machinery Industry Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | 3 | Sales revenue | 1,282 | (Note 3) | 0.1% |
| 3 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | 3 | Interest income | 308 | (Note 3) | - |

Note 1: The business transactions between the parent company and the subsidiaries shall be indicated in the numbering column respectively, and the number shall be filled in as follows:

1. Parent company is No. 0.
2. Subsidiaries are listed in order from No.1.

Note 2: In case of any of the following three relationships with the traders, it only needs to indicate the relationship type:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: It is subject to stipulations in contract.

Note 4: The Company will decide on the presentation of the significant transactions in this table in accordance with the principle of materiality.

Table 5: Names, Locations and Other Information of Investee Companies (Not Including Investees in Mainland China)

December 31, 2023

Unit: NT$/ Foreign currency thousand (unless stated otherwise)

| Investor company | Investee company | Location | Main business activities | Initial investment amount | | Held at the end of period | | | Current profit (loss) of the invested company | Recognized investment gains (losses) in the current period (Note 1) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of shares | Ownership (%) | Carrying amount | | | |
| AWEA Mechantronic Co., Ltd. | B-Way (Cayman) Co., Ltd. | Cayman Islands | International investment and international trade | $ 332,212 | $ 332,212 | 10,665,029 | 100.00% | $ 694,302 | $ 57,841 | $ 57,652 | (Note 1) |
| AWEA Mechantronic Co., Ltd. | Yama Seiki USA, Inc. | USA | Machinery sales and installation, international trade | 53,968 | 53,968 | 584,192 | 28.58% | 108,435 | 24,042 | 6,901 | - |
| AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | Taiwan | Manufacturing of machinery and equipment, design of products, wholesale of machinery, and retail of mechanical appliances | 264,592 | 264,592 | 5,914,800 | 60.00% | 141,254 | (51,263) | (30,757) | (Note 1) |
| AWEA Mechantronic Co., Ltd. | Huahan Leasing Co., Ltd. | Taiwan | Rental of machinery and equipment | 7,333 | 7,333 | 666,667 | 13.33% | 8,278 | 2,080 | 277 | - |
| B-Way (Cayman) Co., Ltd. | Billion-Way (Cayman) Co., Ltd. | Cayman Islands | International investment and international trade | USD 12,830 (NTD 393,304) | USD 12,830 (NTD 393,304) | 12,829,840 | 100.00% | 706,493 | 58,052 | 58,052 | (Note 1) |

| Investor company | Investee company | Location | Main business activities | Initial investment amount | | Held at the end of period | | | Current profit (loss) of the invested company | Recognized investment gains (losses) in the current period (Note 1) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of shares | Ownership (%) | Carrying amount | | | |
| Yih Chuan Machinery Industry Co., Ltd. | AXTRON INT'L INVESTMENT CO., LTD | USA - Marshall Islands | International investment and international trade | 200,000 | 200,000 | 50,000 | 100.00% | 205,164 | (21,254) | (21,254) | (Note 1) |
| AXTRON INT'L INVESTMENT CO.,LTD | AXTRON INT'L INVESTMENT LIMITED | Hong Kong | International investment and international trade | HKD 10 (NTD 39) | HKD 10 (NTD 39) | 10,000 | 100.00% | 205,163 | (21,254) | (21,254) | (Note 1) |

Note 1: It has been written off.

Table 6: Information on Investments in Mainland China

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

1. Name of the investee company in Mainland China, main business items, paid-in capital, method of investment, inward/outward remittance of funds, percentage of ownership, carrying value of investment, and gain or loss on repatriated investment:

| Name of investee | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated investment amount remitted from Taiwan at the beginning of the period | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for current period | | Accumulated investment amount remitted from Taiwan at the end of the period | Current profit and loss of the invested company | Ownership percentage of direct or indirect investment | Recognized investment gains and losses in the current period (Note 2) | Carrying amount of investment as of December 31, 2023 | Accumulated inward remittance of earnings as of December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Machinery sales and installation, business management consultation, and international trade | USD 2,500 (NTD 76,638) (Note 3) | 2 | USD 2,494 (NTD 76,454) (Note 3) | - | - | USD 2,494 (NTD 76,454) (Note 3) | $ 7,597 | 100% | $ 8,116 | $148,859 | USD 15,438 (NTD 479,279) (Note 3) |
| Awea Mechantronic (Suzhou) Ltd. | Machinery sales, manufacturing and installation, and international trade | USD 11,400 (NTD 349,467) (Note 3) | 2 | USD 10,400 (NTD 318,812) (Note 3) | - | - | USD 10,400 (NTD 318,812) (Note 3) | 58,604 | 100% | 58,604 | 544,304 | USD 4,706 CNY 49,580 (NTD 362,259) |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Machinery sales, manufacturing and installation, and international trade | USD 2,510 (NTD 76,944) (Note 3) | 2 | USD 2,510 (NTD 76,944) (Note 3) | - | - | USD 2,510 (NTD 76,944) (Note 3) | (21,254) | 100% | (21,254) | 205,163 | - |

2. Limit on investments in Mainland China:

| Name of investor | Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period | Investment amounts authorized by Investment Review Committee, MOEA | Limit on investments in Mainland China imposed by the Investment Review Committee, MOEA |
|---|---|---|---|
| The Company | $ 395,266 (Note 3)<br>( USD 12,894) | $ 426,105 (Note 3)<br>( USD 13,900) | $ 1,976,311 (Note 5) |
| Yih Chuan Machinery Industry Co., Ltd. | $ 76,944 (Note 3)<br>( USD 2,510) | $ 76,944 (Note 3)<br>( USD 2,510) | $ 140,612 (Note 5) |

Note 1: Investment methods are divided into the following three types, just enter the code:

(1) Direct investment in Mainland China.

(2) Indirect investment in Mainland China through third-region companies.

(3) Other methods.

Note 2: The basis for recognition of investment gains and losses is the financial statements audited by CPAs for the same period.

Note 3: The NT$ amount is translated by the exchange rate on the balance sheet date.

Note 4: Dawei Mechantronic (Suzhou) Co., Ltd. was merged with AWEA Mechantronic (Suzhou) Ltd. in September, 2020, and AWEA Mechantronic (Suzhou) Ltd. is the surviving company. The merger was approved by the Investment Review Committee, MOEA under the letter No. 11000165350 in July 2021.

Note 5: The cumulative amount of the investor’s investment in Mainland China shall not exceed 60% of the net value.

3. Significant direct or indirect transactions through a third region business with the investee in the Mainland China: please refer to Table 4 for details.

Table 7: Information on Major Shareholders

December 31, 2023

| Name of major shareholders | Number of shares held | Ownership (%) |
|---|---|---|
| Goodway Machine Corp. | 47,962,311 | 49.65 % |
| De-Hua Yang | 9,031,403 | 9.34 % |
| JiaJin Investment Co., Ltd. | 6,256,388 | 6.47 % |

XIV. <u>Segment Information</u>

(I) Relevant segment information of the Company for the years ended December 31, 2023 and 2022 is as follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Taiwan Awea | Awea (Suzhou) | Other segments | Adjustment and elimination | Total |
| Revenue | | | | | |
| Revenue from outside customers | $ 1,316,798 | $ 872,286 | $ 172,833 | $ - | $ 2,361,917 |
| Inter-segment revenue | 255,523 | 404 | 13,239 | (269,166) | - |
| Interest income | 30,000 | 599 | 3,643 | (4,113) | 30,129 |
| Share of profit or loss of associates and joint ventures accounted for using equity method | 34,073 | - | - | (26,895) | 7,178 |
| Interest expense | 28,704 | 4,300 | 3,869 | (4,113) | 32,760 |
| Depreciation and amortisation | 73,037 | 31,488 | 12,222 | (2,209) | 114,538 |
| Profit or loss before tax | 240,987 | 76,488 | (55,999) | (26,377) | 235,099 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Taiwan Awea | Awea (Suzhou) | Other segments | Adjustment and elimination | Total |
| Revenue | | | | | |
| Revenue from outside customers | $ 1,987,934 | $ 942,995 | $ 169,588 | $ - | $ 3,100,517 |
| Inter-segment revenue | 295,724 | 1,159 | 22,847 | (319,730) | - |
| Interest income | 16,006 | 809 | 1,550 | (2,393) | 15,972 |
| Share of profit or loss of associates and joint ventures accounted for using equity method | 95,775 | - | - | (87,993) | 7,782 |
| Interest expense | 19,897 | 4,717 | 3,781 | (2,393) | 26,002 |
| Depreciation and amortisation | 74,288 | 32,516 | 13,450 | (2,209) | 118,045 |
| Profit or loss before tax | 439,857 | 108,716 | (791) | (87,994) | 459,788 |

1. The total reportable inter-segment revenue excluding inter-segment revenue to be eliminated was NT$269,166 thousand and NT$319,730 thousand in 2023 and 2022, respectively.

2. The total reportable segment income excluding income tax expense was NT$44,793 thousand and NT$110,501 thousand in 2023 and 2022, respectively.

The Company has two reportable segments: Taiwan Awea and Awea (Suzhou). The main business of Taiwan Awea is design, manufacture and sales of special machines, automation equipment and computer-controlled tool machines. Awea (Suzhou) is engaged in the manufacture, sales and installation of machinery.

The Company does not allocate income tax expense to reportable segments. The amounts reported are consistent with the reports used by the operating decision maker, and the accounting policies of the operating segments are the same as those described in Note IV Summary of Significant Accounting Polices. The profit or loss of the Company's operating segments is based on net profit before tax. The Company recognizes inter-segment sales and transfers as transactions with third parties and measures them at current market prices.

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# Independent Auditors' Review Report

To AWEA Mechantronic Co., Ltd.:

**Foreword**

We have reviewed the accompanying consolidated balance sheets of AWEA Mechantronic Co., Ltd. and its Subsidiaries as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC recognized and published IAS 34 "Interim Financial Reporting", it is the management's responsibility to prepare a fair representation of the consolidated financial statements, and the CPA's responsibility to draw a conclusion on the consolidated financial statements based on the review results.

**Scope**

Except as stated in the basis for Qualified Conclusion, we carry out the review in accordance with Standard on Review Engagements No. 2410 "Review of Financial Information Performed by the Independent Auditor of the Entity". The procedures performed in reviewing the consolidated financial statements include inquiries (primarily with those responsible for financial and accounting matters), analytical procedures and other review procedures. The scope of the review is significantly smaller than that of the audit work, so the CPA may not be able to detect all the matters that can be identified through the audit work, and therefore cannot express an audit opinion.

**Basis for Qualified Conclusion**

As described in Notes VI (VII) to Consolidated Financial Statements, the financial statements for investment using the equity method-Huahan Leasing Co., Ltd. for the same period have not been reviewed by CPAs. The amount of the above long-term equity investment as of March 31, 2024 and 2023 were NT$8,099 thousand and NT$8,178 thousand, respectively, both of which accounted for 0% of the total consolidated assets. The profit and loss amount of such associates recognized by equity method for the period ended March 31, 2024 and 2023 were NT$(179) thousand and NT$177 thousand, respectively, either of which accounted for (1%) and 1% of consolidated net profit before tax.

**Qualified Conclusion**

Except for the effect that the consolidated financial statements may be adjusted if the financial statements of the investee company using the equity method as stated in the basis for Qualified Conclusion are reviewed by CPAs, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of AWEA Mechantronic Co., Ltd. and its subsidiaries as of March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the period then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards (IAS) 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, based on our review results and the review reports of other CPAs (please refer to Other Matters).

**Other Matters**

As described in Notes VI (VII) to Consolidated Financial Statements, the financial statements for investment using the equity method-YAMA SEIKI USA, INC. for the same period have not been reviewed by us, but by other CPAs. Therefore, in our opinions on the review results of the above consolidated financial statements, the amounts set out in the financial statements of such investee companies were based on the review reports by other CPAs. The amount of the above long-term equity investment as of March 31, 2024 and 2023 were NT$112,421 thousand and NT$101,522 thousand, respectively, both of which accounted for 2% of the total consolidated assets. The profit and loss amount of such associates recognized by equity method for the period ended March 31, 2024 and 2023 were NT$(920) thousand and NT$340 thousand, respectively, either of which accounted for (6%) and 2% of consolidated net profit before tax.

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EnWise CPAs & Co.

| | |
|---|---|
| CPA Guei-Duan Chen | CPA Chang-Yun Yi |
| Approval number of the Securities and Futures Management Committee, Ministry of Finance | Approval number of the Securities and Futures Management Committee, Ministry of Finance |
| (1990) Tai-Cai-Zheng (I) No. 27495 | (2003) Tai-Cai-Zheng (VI) No. 121986 |

May 7, 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 audit such consolidated financial statements are those generally applied in the Republic of China.*
*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets

March 31, 2024 and December 31, 2023 and March 31, 2023

Unit: NT$ thousand

| Code | Items | Notes | March 31, 2024 (Reviewed) Amount | % | December 31, 2023 (Audited) Amount | % | March 31, 2023 (Reviewed) Amount | % |
|---|---|---|---|---|---|---|---|---|
| | Current assets | | | | | | | |
| 1100 | Cash and cash equivalents | IV and VI | $ 646,193 | 11 | $ 866,173 | 15 | $ 1,037,833 | 16 |
| 1110 | Financial assets at FVTPL - current | IV and VI | 518,501 | 9 | 536,929 | 9 | 425,373 | 7 |
| 1150 | Notes receivable, net | IV and VI | 144,053 | 2 | 157,100 | 3 | 258,290 | 4 |
| 1160 | Notes receivable due from related parties, net | IV and VII | 1,528 | - | 858 | - | 1,638 | - |
| 1170 | Accounts receivable, net | IV and VI | 377,635 | 6 | 350,642 | 6 | 416,057 | 6 |
| 1180 | Account receivables due from related parties, net | IV and VII | 33,970 | 1 | 43,741 | 1 | 16,014 | - |
| 1200 | Other receivables | | 9,194 | - | 11,698 | - | 4,896 | - |
| 1210 | Other receivables - related parties | VII | 42 | - | - | - | 640 | - |
| 1220 | Current tax assets | | 739 | - | 26 | - | 144 | - |
| 130x | Inventories | IV and VI | 1,660,459 | 27 | 1,448,774 | 24 | 1,602,322 | 24 |
| 1410 | Prepayments | VII | 68,376 | 1 | 42,490 | 1 | 57,377 | 1 |
| 1470 | Other current assets | VIII | 355,426 | 6 | 344,423 | 6 | 573,091 | 9 |
| 11xx | Total current assets | | 3,816,116 | 63 | 3,802,854 | 65 | 4,393,675 | 67 |
| | Non-current assets | | | | | | | |
| 1517 | Financial assets at FVOCI - non-current | IV and VI | 1,552 | - | 1,991 | - | 11,376 | - |
| 1535 | Financial assets measured at amortized cost - non-current | | 10,137 | - | 10,137 | - | - | - |
| 1550 | Investments accounted for using equity method | IV and VI | 120,520 | 2 | 116,713 | 2 | 109,700 | 2 |
| 1600 | Property, plant and equipment | IV, VI, VII and VIII | 1,727,180 | 28 | 1,741,772 | 29 | 1,777,920 | 27 |
| 1755 | Right-of-use assets | IV, VI and VIII | 286,153 | 5 | 114,477 | 2 | 128,804 | 2 |
| 1780 | Intangible assets | IV and VI | 12,672 | - | 12,656 | - | 10,753 | - |
| 1840 | Deferred tax assets | IV and V | 140,992 | 2 | 140,108 | 2 | 132,124 | 2 |
| 1915 | Prepayments for equipment | | 4,788 | - | 3,200 | - | 300 | - |
| 1920 | Guarantee deposits paid | | 1,932 | - | 3,965 | - | 5,855 | - |
| 1931 | Long-term notes receivable, net | IV | 4,616 | - | 7,413 | - | 7,786 | - |
| 1937 | Overdue receivables | IV and VI | - | - | - | - | - | - |
| 1990 | Other non-current assets - others | | 6,253 | - | 6,605 | - | 6,179 | - |
| 15xx | Total non-current assets | | 2,316,795 | 37 | 2,159,037 | 35 | 2,190,797 | 33 |
| 1xxx | Total assets | | $ 6,132,911 | 100 | $ 5,961,891 | 100 | $ 6,584,472 | 100 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Ting-Shuang Lin

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets

March 31, 2024 and December 31, 2023 and March 31, 2023

Unit: NT$ thousand

| Code | Items | Notes | March 31, 2024 (Reviewed) Amount | % | December 31, 2023 (Audited) Amount | % | March 31, 2023 (Reviewed) Amount | % |
|---|---|---|---|---|---|---|---|---|
| | Current liabilities | | | | | | | |
| 2100 | Short-term borrowings | VI and VIII | $ 1,573,213 | 25 | $ 1,576,852 | 26 | $ 1,832,709 | 28 |
| 2110 | Short-term notes and bills payable | VI | - | - | 79,987 | 1 | 314,615 | 5 |
| 2130 | Contract liabilities | IV, VI and VII | 186,601 | 3 | 172,215 | 3 | 201,726 | 3 |
| 2150 | Notes payable | | 294,880 | 5 | 262,181 | 4 | 243,066 | 4 |
| 2160 | Notes payable - related parties | VII | 1,056 | - | 566 | - | 1,923 | - |
| 2170 | Accounts payable | | 192,410 | 3 | 165,270 | 3 | 261,195 | 4 |
| 2180 | Accounts payable - related parties | VII | 9,218 | - | 350 | - | 424 | - |
| 2200 | Other payables | VI | 81,443 | 1 | 112,178 | 2 | 114,236 | 2 |
| 2220 | Other payables - related parties | VII | 785 | - | 1,339 | - | 366 | - |
| 2230 | Current tax liabilities | IV | 50,710 | 1 | 52,116 | 1 | 87,147 | 1 |
| 2250 | Current provisions | IV and VI | 10,613 | - | 12,935 | - | 12,271 | - |
| 2280 | Current lease liabilities | IV, VI and VII | 7,712 | - | 638 | - | 8,909 | - |
| 2310 | Advance receipts | VII | 1,330 | - | 1,066 | - | 1,195 | - |
| 2399 | Other current liabilities | | 1,017 | - | 1,077 | - | 1,401 | - |
| 21xx | Total current liabilities | | 2,410,988 | 38 | 2,438,770 | 40 | 3,081,183 | 47 |
| | Non-current liabilities | | | | | | | |
| 2570 | Deferred income tax liabilities | IV and VI | 120,706 | 2 | 116,831 | 2 | 106,932 | 2 |
| 2580 | Non-current lease liabilities | IV, VI and VII | 164,092 | 3 | 280 | - | 584 | - |
| 2630 | Long-term deferred revenue | | 9,443 | - | 9,533 | - | 10,578 | - |
| 2640 | Net defined benefit liability - non-current | IV and VI | 6,977 | - | 6,973 | - | 8,989 | - |
| 2645 | Guarantee deposits received | | 1,238 | - | 1,911 | - | 1,442 | - |
| 25xx | Total non-current liabilities | | 302,456 | 5 | 135,528 | 2 | 128,525 | 2 |
| 2xxx | Total Liabilities | | 2,713,444 | 43 | 2,574,298 | 42 | 3,209,708 | 49 |
| | Equity attributable to owners of the parent | | | | | | | |
| 3100 | Share capital | VI | | | | | | |
| 3110 | Common stock | | 965,942 | 16 | 965,942 | 16 | 965,942 | 15 |
| 3200 | Capital surplus | VI | | | | | | |
| 3211 | Capital surplus - additional paid-in capital arising from ordinary share | | 6,124 | - | 6,124 | - | 6,124 | - |
| 3213 | Capital surplus - Conversion premium of convertible bonds | | 57,468 | 1 | 57,468 | 1 | 57,468 | 1 |
| 3240 | Capital surplus - Gains from disposal of assets | | 4 | - | 4 | - | 4 | - |
| 3280 | Capital surplus - others | | 31,920 | 1 | 31,920 | 1 | 31,920 | - |
| 3300 | Retained earnings | VI | | | | | | |
| 3310 | Legal reserve | | 562,966 | 9 | 562,966 | 9 | 527,176 | 8 |
| 3320 | Special reserve | | 98,077 | 2 | 98,077 | 2 | 98,077 | 1 |
| 3350 | Unappropriated earnings | | 1,623,789 | 26 | 1,606,748 | 28 | 1,610,315 | 24 |
| 3400 | Other equity | VI | | | | | | |
| 3410 | Exchange difference on translation of financial statements of foreign operations | | (15,769) | - | (32,016) | (1) | (17,260) | - |
| 3420 | Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income | | (3,820) | - | (3,381) | - | (9,475) | - |
| 31xx | Total equity attributable to owners of the parent | | 3,326,701 | 55 | 3,293,852 | 56 | 3,270,291 | 49 |
| 36xx | Non-controlling interests | VI | 92,766 | 2 | 93,741 | 2 | 104,473 | 2 |
| 3xxx | Total equity | | 3,419,467 | 57 | 3,387,593 | 58 | 3,374,764 | 51 |
| | Total liability and equity | | $ 6,132,911 | 100 | $ 5,961,891 | 100 | $ 6,584,472 | 100 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Ting-Shuang Lin

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statements of Comprehensive Income

From January 1 to March 31, 2024 and 2023

(Reviewed only, not audited in accordance with the auditing standards)

Unit: NT$ thousand, except earnings per share

| Code | Items | Notes | January 1 to March 31, 2024 | | | January 1 to March 31, 2023 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amount | % | | Amount | % |
| 4000 | Operating revenue | VI and VII | $ | 362,524 | 100 | $ | 538,803 | 100 |
| 5000 | Operating costs | VI and VII | | (294,958) | (81) | | (486,840) | (90) |
| 5900 | Gross profit | | | 67,566 | 19 | | 51,963 | 10 |
| 5920 | Realized (Unealized) gain from sale | | | 14 | - | | 261 | - |
| 5950 | Gross profit, net | | | 67,580 | 19 | | 52,224 | 10 |
| | Operating expenses | | | | | | | |
| 6100 | Selling and marketing expenses | | | (23,952) | (7) | | (37,016) | (7) |
| 6200 | General and administrative expenses | | | (30,617) | (8) | | (31,794) | (6) |
| 6300 | Research and development expenses | | | (21,210) | (6) | | (14,459) | (3) |
| 6450 | Expected credit impairment gains (losses) | | | (678) | - | | 3,030 | 1 |
| 6000 | Total operating expenses | | | (76,457) | (21) | | (80,239) | (15) |
| 6900 | Operating profit (loss) | | | (8,877) | (2) | | (28,015) | (5) |
| | Non-operating income and expenses | | | | | | | |
| 7100 | Interest income | | | 3,854 | 1 | | 9,218 | 2 |
| 7010 | Other income | VI | | 7,763 | 2 | | 8,546 | 2 |
| 7020 | Other gains and losses | IV and VI | | 20,728 | 6 | | 36,100 | 6 |
| 7050 | Finance costs | VI | | (7,819) | (2) | | (9,472) | (2) |
| 7060 | Share of profit or loss of associates and joint ventures accounted for using equity method | | | (1,099) | - | | 517 | - |
| 7000 | Total non-operating income and expenses | | | 23,427 | 7 | | 44,909 | 8 |
| 7900 | Net profit before tax | | | 14,550 | 5 | | 16,894 | 3 |
| 7950 | Income tax expense | IV and VI | | 292 | - | | (13,363) | (2) |
| 8200 | Current period net profit | | | 14,842 | 5 | | 3,531 | 1 |
| | Other comprehensive income | | | | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | | | | |
| 8316 | Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income | | | (439) | - | | 1,218 | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | | | |
| 8361 | Exchange difference on translation of financial statements of foreign operations | | | 21,839 | 6 | | 2,274 | - |
| 8399 | Income tax related to items that may be reclassified | | | (4,368) | (1) | | (454) | - |
| 8300 | Other comprehensive (loss) income for the year | | | 17,032 | 5 | | 3,038 | - |
| 8500 | Total comprehensive income | | | 31,874 | 10 | | 6,569 | 1 |
| 8600 | Net profit (loss) attributable to: | | | | | | | |
| 8610 | Owners of the parent company | | $ | 17,041 | 5 | $ | 14,958 | 3 |
| 8620 | Non-controlling interests | | | (2,199) | - | | (11,427) | (2) |
| | | | $ | 14,842 | 5 | $ | 3,531 | 1 |
| 8700 | Total comprehensive income attributable to: | | | | | | | |
| 8710 | Owners of the parent company (comprehensive income) | | | 32,849 | 10 | | 17,615 | 3 |
| 8720 | Non-controlling interests (comprehensive income) | | | (975) | - | | (11,046) | (2) |
| | | | $ | 31,874 | 10 | $ | 6,569 | 1 |
| | Earnings per share | | | | | | | |
| 9750 | Basic earnings per share | IV and VI | $ | 0.18 | | $ | 0.15 | |
| 9850 | Diluted earnings per share | IV and VI | $ | 0.18 | | $ | 0.15 | |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Ting-Shuang Lin

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statement of Changes in Equity

From January 1 to March 31, 2024 and 2023

(Reviewed only, not audited in accordance with the auditing standards)

Unit: NT$ thousand

| | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | | Retained earnings | | | Other equity items | | | | |
| Items | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Exchange difference on translation of financial statements of foreign operations | Unrealised gains (losses) on valuation of financial assets measured at fair value through other comprehensive income | Total equity attributable to owners of the parent | Non-controlling interests | Total equity |
| Balance at January 1, 2023 | $ 965,942 | $ 95,516 | $ 527,176 | $ 98,077 | $ 1,595,597 | $ (18,699) | $ (10,933) | $ 3,252,676 | $ 115,519 | $ 3,368,195 |
| Net profit as of March 31, 2023 | - | - | - | - | 14,958 | - | - | 14,958 | (11,427) | 3,531 |
| Other comprehensive income as of March 31, 2023 | - | - | - | - | - | 1,439 # | 1,218 | 2,657 | 381 | 3,038 |
| Total comprehensive income as of March 31, 2023 | - | - | - | - | 14,958 | 1,439 | 1,218 | 17,615 | (11,046) | 6,569 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | (240) | - | 240 | - | - | - |
| Balance at March 31, 2023 | $ 965,942 | $ 95,516 | $ 527,176 | $ 98,077 | $ 1,610,315 | $ (17,260) | $ (9,475) | $ 3,270,291 | $ 104,473 | $ 3,374,764 |
| Balance at January 1, 2024 | $ 965,942 | $ 95,516 | $ 562,966 | $ 98,077 | $ 1,606,748 | $ (32,016) | $ (3,381) | $ 3,293,852 | $ 93,741 | $ 3,387,593 |
| Net profit as of March 31, 2024 | - | - | - | - | 17,041 | - | - | 17,041 | (2,199) | 14,842 |
| Other comprehensive income as of March 31, 2024 | - | - | - | - | - | 16,247 # | (439) | 15,808 | 1,224 | 17,032 |
| Total comprehensive income as of March 31, 2024 | - | - | - | - | 17,041 | 16,247 | (439) | 32,849 | (975) | 31,874 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Balance at March 31, 2024 | $ 965,942 | $ 95,516 | $ 562,966 | $ 98,077 | $ 1,623,789 | $ (15,769) | $ (3,820) | $ 3,326,701 | $ 92,766 | $ 3,419,467 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Ting-Shuang Lin

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to March 31, 2024 and 2023

(Reviewed only, not audited in accordance with the auditing standards)

Unit: NT$ thousand

| | January 1 to March 31, 2024 | January 1 to March 31, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Net profit before tax | $ 14,550 | $ 16,894 |
| Adjustments | | |
| Depreciation | 27,218 | 28,446 |
| Amortisation | 747 | 633 |
| Expected credit impairment losses (gains) | 678 | (3,030) |
| Interest expense | 7,819 | 9,472 |
| Interest income | (3,854) | (9,218) |
| Dividend revenue | (30) | (28) |
| Share of profit or loss of associates and joint ventures accounted for using equity method | 1,099 | (517) |
| Losses (gains) on disposal and discard of property, plant and equipment | 7 | (178) |
| Losses on disposals of investments | - | 86 |
| Realized (Unealized) gain from sale among associated companies | (14) | (261) |
| Other income | (267) | (270) |
| Losses (Gains) from evaluation of financial assets | 18,428 | (45,414) |
| Changes in operating assets and liabilities | | |
| Notes receivable | 19,403 | 125,785 |
| Notes receivable - related parties | (670) | 2,636 |
| Account receivables | (34,643) | 41,791 |
| Account receivables - related parties | 9,771 | 17,552 |
| Other receivables | (678) | 1,954 |
| Other receivables - related parties | (42) | (640) |
| Inventories | (211,685) | 4,685 |
| Prepayments | (25,886) | 482 |
| Other current assets | (111) | (605) |
| Overdue receivables | 221 | (3) |
| Long-term notes receivable | 3,052 | 4,664 |
| Contract liabilities | 14,386 | (23,287) |
| Notes payable | 32,696 | (150,783) |
| Notes payable - related parties | 490 | 1,409 |
| Accounts payable | 27,140 | 59,883 |
| Accounts payable - related parties | 8,868 | (375) |
| Other payables | (30,079) | (13,750) |
| Other payables - related parties | (554) | (1,641) |
| Provisions | (2,353) | (181) |
| Advance receipts | 264 | 261 |
| Other current liabilities | (60) | (698) |
| Net defined benefit liability | (212) | (2) |
| Cash inflow (outflow) from operations | (124,301) | 65,752 |
| Interest received | 7,036 | 13,133 |
| Income tax paid | (2,956) | (27,356) |
| Net cash inflow (outflow) from operating activities | (120,221) | 51,529 |

(Continued)

AWEA Mechantronic Co., Ltd. and its Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to March 31, 2024 and 2023

(Reviewed only, not audited in accordance with the auditing standards)

Unit: NT$ thousand

(Continued from previous page)

| | January 1 to March 31, 2024 | January 1 to March 31, 2023 |
|---|---|---|
| Cash flows from investing activities | | |
| Disposal price of financial assets at fair value through other comprehensive income | - | 300 |
| Acquisitions of financial assets at fair value through profit or loss | - | (4,396) |
| Disposal price of financial assets at fair value through profit or loss | - | 1,353 |
| Acquisition of property, plant and equipment | (2,379) | (4,326) |
| Proceeds from disposal of property, plant and equipment | - | 190 |
| Decrease in guarantee deposits paid | 2,033 | 1,290 |
| Acquisitions of intangible assets | (650) | (1,003) |
| Increase in prepayments for equipment | (1,588) | - |
| Increase in other financial assets | (10,892) | (30,300) |
| Decrease in other non-current assets | 352 | 365 |
| Dividends received | 30 | 28 |
| Net cash outflow from investing activities | (13,094) | (36,499) |
| Cash flows from financing activities | | |
| Decrease in short-term borrowings | (3,639) | (122,240) |
| Increase (Decrease) in short-term notes and bills payable | (79,987) | 24,974 |
| Decrease in guarantee deposits received | (673) | (741) |
| Repayment of principal of lease liabilities | (2,158) | (2,845) |
| Interest paid | (8,358) | (8,973) |
| Net cash outflow from financing activities | (94,815) | (109,825) |
| Effect of changes in foreign exchange rates on cash and cash equivalents | 8,150 | 457 |
| Net decrease in cash and cash equivalents | (219,980) | (94,338) |
| Cash and cash equivalents at the beginning of period | 866,173 | 1,132,171 |
| Cash and cash equivalents at the end of period | $ 646,193 | $ 1,037,833 |

Please refer to the accompanying notes to the consolidated financial statements.

Chairman: De-Hua Yang Managerial officer: Shang-Ru Yang Accounting Supervisor: Ting-Shuang Lin

VI. If the Company and its affiliated enterprises, in the latest year and up to the publication date of the annual report developed an insolvency and the impact upon the Company's financial conditions:

None.

# Chapter VII. Review Analysis and Risk Management of Financial Status and Operation Results

## I. Financial status

Unit: NT$ thousand

| Items / Year | 2023 | 2022 | Difference | | Description |
|---|---|---|---|---|---|
| | | | Amount | % | |
| Current assets | 3,802,854 | 4,604,226 | (801,372) | -17.41% | |
| Investments accounted for using equity method | 116,713 | 109,850 | 6,863 | 6.25% | |
| Property, plant and equipment | 1,741,772 | 1,797,473 | (55,701) | -3.10% | |
| Intangible assets | 12,656 | 10,368 | 2,288 | 22.07% | Note 1 |
| Other assets | 287,896 | 269,881 | 18,015 | 6.68% | |
| Total assets | 5,961,891 | 6,791,798 | (829,907) | -12.22% | |
| Current liabilities | 2,438,770 | 3,288,494 | (849,724) | -25.84% | Note 2 |
| Non-current liabilities | 135,528 | 135,109 | 419 | 0.31% | |
| Total liabilities | 2,574,298 | 3,423,603 | (849,305) | -24.81% | Note 3 |
| Equity attributable to owners of the parent | 3,293,852 | 3,252,676 | 41,176 | 1.27% | |
| Share capital | 965,942 | 965,942 | 0 | 0.00% | |
| Capital surplus | 95,516 | 95,516 | 0 | 0.00% | |
| Retained earnings | 2,267,791 | 2,220,850 | 46,941 | 2.11% | |
| Other equity | (35,397) | (29,632) | (5,765) | 19.46% | |
| Non-controlling interests | 93,741 | 115,519 | (21,778) | -18.85% | |
| Total equity | 3,387,593 | 3,368,195 | 19,398 | 0.58% | |

Note 1: The increase in intangible assets was due to the subsidiary's additional purchase of CAD software, ERP server software, ERP database software.

Note 2: The decrease in current liabilities was due to repayment of liabilities, resulting in decreased short-term borrowings and short-term notes and bills payable; and decreased notes payable and income tax liabilities.

Note 3: The decrease in total liabilities was due to decreased current liabilities.

## II. Financial performance

### (I) Table of comparative analysis of operation results

Unit: NT$ thousand

| Items \ Year | 2023 | 2022 | Amount in increase/ decrease | Change percentage (%) | Description |
|---|---|---|---|---|---|
| Operating revenue | 2,361,917 | 3,100,517 | (738,600) | -23.82% | Note 1 |
| Operating costs | (2,002,794) | (2,432,617) | 429,823 | -17.67% | |
| Gross profit | 359,123 | 667,900 | (308,777) | -46.23% | Note 1 |
| Realized (Unealized) gain among associated companies | (210) | (4,900) | 4,690 | -95.71% | Note 1 |
| Realized gross profit | 358,913 | 663,000 | (304,087) | -45.87% | Note 1 |
| Operating expenses | (325,913) | (364,775) | 38,862 | -10.65% | |
| Operating profit | 33,000 | 298,225 | (265,225) | -88.93% | Note 1 |
| Non-operating income and expenses | 202,099 | 161,563 | 40,536 | 25.09% | Note 2 |
| Net profit before tax | 235,099 | 459,788 | (224,689) | -48.87% | Note 1 |
| Income tax expense | (44,793) | (110,501) | 65,708 | -59.46% | Note 1 |
| Current period net profit | 190,306 | 349,287 | (158,981) | -45.52% | Note 1 |
| Other comprehensive income | (16,357) | 7,313 | (23,670) | -323.67% | Note 2 |
| Total comprehensive income in current period | 173,949 | 356,600 | (182,651) | -51.22% | Note 2 |

Analysis explanation on the change in the ratio of increase or decrease:

Note 1: The decrease in the operating revenue, gross profit, operating profit, net profit before tax, income tax expense and net profit for the year was due to the tightening of monetary policy and weak trade in the USA, and the global geopolitical policy tensions, which led to decreased operating revenue.

Note 2: The increase in total non-operating income and expenses and decreased other comprehensive income and total comprehensive income in the current period, were due to fluctuation in exchange rate.

(II) Expected sales volume and its basis: The construction of Dapumei Phase II plant and the mass production of Wujiang Phase II plant are expected to usher in an expectable growth in sales volume.

(III) (Possible impact on future financial business of the Company and the response plan: Wait with bated breath, and it’s expected that the fall of the inflation data and the return of expansion of manufacturing capital expenditure demand could bring the opportunity of the industrial recovery for the machine tool industry. It’s expected that there will be expectable growth in both finance and business this year, therefore, it’s not necessary to formulate any response plan.

III. Cash flow

(I) Analysis on cash flow change in the latest year (2023)

| Cash balance at the beginning of the year | Net cash flow from operating activities in the year | Net cash flow from investing activities in the year | Net cash flow from financing activities in the year | Effect of changes in foreign exchange rates on cash and cash equivalents | Amount of cash balance and deficits | Countermeasure for mount of cash balance and deficits | |
|---|---|---|---|---|---|---|---|
| | | | | | | Investment plans | Wealth management plans |
| 1,132,171 | 399,439 | 129,394 | (785,616) | (9,215) | 866,173 | — | — |

(II) Improvement plan for insufficient liquidity: Not applicable.

(III) Analyses on the cash liquidity for next year:

Unit: NT$ thousand

| Cash balance at the beginning of the year | Net cash inflow from operating activities in the year | Year-round cash outflow | Remaining (insufficient) cash | Countermeasure for mount of cash balance and deficits | |
|---|---|---|---|---|---|
| | | | | Investment plans | Wealth management plans |
| 866,173 | 402,280 | 648,000 | 620,453 | — | — |

1. Analysis on the cash flow change for next year:
   (1) Operating activities: It is expected that the Company's operations are stable, and the number of days to collect accounts remains unchanged.
   (2) Investment activities: It is expected to pay for Phase II construction project of Chiayi Dapumei Branch, etc.
   (3) Fundraising and financing activities: These activities are mainly for maintaining the normal operation of the Company, which have no major changes except for load repayment and estimated cash dividend payment.
2. Remedial measures and liquidity analysis for anticipated cash shortfalls: None.

IV. The impact of the significant capital expenditure in the latest year upon the financial performance:

(I) Use of significant capital expenditure and sources of funds:

Unit: NT$ thousand

| Planned items | Actual or expected sources of funds | Actual or expected completion date | Total funds required for 2023 and 2024 | Actual use of funds in 2023 and expected use of funds in 2024 | |
|---|---|---|---|---|---|
| | | | | 2023 | 2024 |
| Dapumei Plant Phase II project (AWEA) | Own funds | 2024 | 379,563 | 31,563 | 348,000 |

V. The outward investment policies in the latest year. The key reasons leading to the profit or loss, the corrective plans and the investment plan in one year ahead

None.

VI. Risk issues that occurred in the latest year and up to the publication date of the Annual Report shall be analyzed and evaluated as follows

(I) The impact incurred by change in interest rate, exchange rate, inflation upon the Company’s profit and/or loss and the future countermeasures

1. Interest rates:

   The Company regularly evaluates the differences between the interest rate on bank borrowings and that in the market, and keeps close contact with the bank at any time to obtain a favorable interest rate. Therefore, the change in the interest rate has no significant impact on the Company.

2. Exchange rate:

   The Company will collect information on the change in the exchange rate at any time, keep track of the exchange rate trend, and judge the change in the exchange rate, so as to take hedging operations in time or flexibly adjust the foreign exchange deposits. In addition, it also maintains good interactions with the bank, and takes appropriate measures in response to the change in the exchange rate to avoid the foreign currency risk.

3. Inflation:

   The Company will continue to pay attention to inflation, so as to properly adjust the selling price of products and the stock of raw materials.

(II) The major causes for engaging in high-risk, high-leverage investment, lending of funds to others, endorsements/guarantees and derivative financial instruments, the profits or loss and the future countermeasures.

1. The Company adopts a prudent and conservative financial policy, and does not engaged in high-risk, high-leverage investment.

2. The Company's loaning of funds to others in the latest year and up to the publication date of the Annual Report is as follows:

December 31, 2023 Unit: NT$ thousand (unless stated otherwise)

| No. (Note 1) | Companies loaning fund | Companies that fund is loaned to | Transaction subject | Related party | Maximum balance of the current period (Note 3) | Ending balance (Note 4) | Amount drawn | Interest rate | Type of loans | Amount of transaction | Cause for necessity of short-term financing | Amount of allowance for uncollectible accounts | Collateral | | Loaning limit to individual objects (Note 2) | Total loaning limit to others (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | Other receivables - related parties | Yes | 150,000 | 70,000 | 60,000 | 2.05% | With necessity of short-term financing | 140 | Operating turnover | - | Promissory note | 70,000 | 329,385 | 1,317,541 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | Other receivables - related parties | Yes | 107,930 (CNY25,000) | 107,930 (CNY25,000) | 43,020 | 3.45% ~ 3.55% | With necessity of short-term financing | - | Operating turnover | - | - | - | 150,752 | 150,752 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Other receivables - related parties | Yes | 29,216 (CNY6,700) | 21,765 (CNY5,000) | - | 3.45% | With necessity of short-term financing | - | Operating turnover | - | - | - | 150,752 | 150,752 |

March 31, 2024 Unit: NT$ thousand (unless stated otherwise)

| No. (Note 1) | Companies loaning fund | Companies that fund is loaned to | Transaction subject | Related party | Maximum balance of the current period (Note 3) | Ending balance (Note 4) | Amount drawn | Interest rate | Type of loans | Amount of transaction | Cause for necessity of short-term financing | Amount of allowance for uncollectible accounts | Collateral | | Loaning limit to individual objects (Note 2) | Total loaning limit to others (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | AWEA Mechantronic Co., Ltd. | Yih Chuan Machinery Industry Co., Ltd. | Other receivables - related parties | Yes | 70,000 | 70,000 | 60,000 | 2.05% ~ 2.175% | With necessity of short-term financing | 664 | Operating turnover | - | Promissory note | 70,000 | 332,670 | 1,330,680 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Awea Mechantronic (Suzhou) Ltd. | Other receivables - related parties | Yes | 107,930 (CNY25,000) | 107,930 (CNY25,000) | 109,575 | 3.45% | With necessity of short-term financing | - | Operating turnover | - | - | - | 155,097 | 155,097 |
| 1 | Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Other receivables - related parties | Yes | 21,765 (CNY5,000) | 21,765 (CNY5,000) | - | 3.45% | With necessity of short-term financing | - | Operating turnover | - | - | - | 155,097 | 155,097 |

Note 1: The explanation for the numbering column is as follows:

(1) Fill in 0 for issuer.

(2) The investees are coded sequentially beginning from “1” by each individual company.

Note 2: The loaning limit to individual objects shall not exceed 10% of their net value of the current period, and the total loaning limit shall not exceed 40% of their net value of the current period.

Note 3: The maximum balance of funds lent to others in the current year is converted based on the exchange rate declared by the Company to Securities and Futures Bureau as of March 31, 2024.

Note 4: The loaning limit resolved by the Board of Directors is converted based on the exchange rate declared by the Company to Securities and Futures Bureau as of March 31, 2024.

3. The Company’s endorsements/guarantees in the latest year and up to the publication date of the Annual Report are as follows:
   Endorsements/guarantees for others on December 31, 2023: None.
   Endorsements/guarantees for others on March 31, 2024: None.
4. The derivative financial instruments engaged by the Company are mainly currency hedging, so the market risk is not significant.

(III) The future research & development plans and the expenses anticipated to be invested into research & development

1. The Company's R&D directions planned for the near future are as follows:
   (1) Find and develop products for the blue ocean market.
   (2) Develop high value-added performance and technology.
   (3) Develop low-cost/well-manufactured mass-produced products to maintain the existing market competitiveness.
   (4) Make modularized/stackable design to increase production efficiency and reduce production cost.
2. Expenses anticipated to be invested into R&D:
   In 2023, the Company invested NT$53,729 thousand in R&D, accounting for 2.27% of operating revenue. In the future, the Company will develop new products and technologies with a considerable proportion of the R&D expenses to expand the market competitive advantage.

(IV) The possible impacts by government policies and laws at home and abroad upon the Company's financial conditions and the Company's countermeasures

So far, as the competent authority has actively modified the relevant regulations and promoted the corporate governance system and complied with the regulations and system, and the changes in important policies and laws at home and abroad have no significant impact on the Company's financial performance, the Company's management will obtain relevant information at any time, and propose necessary countermeasures in real time to meet the Company's operating needs.

(V) The impact of technological changes and industrial changes on the Company's financial performance and countermeasures

Since the Company keeps abreast of the progress of technology and industry to meet customers' needs in real time, it, in the face of market competition and threats in Mainland China, Eastern Europe and other third world countries, constantly improves production technologies and quality and develops new machines to avoid price war, and also actively develops high value-added composite machines. So far, technological and industrial changes have not caused significant impact on the Company's financial performance.

(VI) The impacts created by a change in corporate image upon the management over crisis, and the Company's countermeasures

The Company's operation principle is being honest, prompt and thorough. So far, there has been no significant impact on the Company due to the change in corporate image.

(VII) Expected benefits, potential risks, and countermeasures of mergers and acquisitions: None.

(VIII) The risks anticipated from the expansion of the plant buildings, and the Company's countermeasures: Not applicable.

(IX) Risks of and countermeasures for concentrated goods purchases or salesr: the Company's purchasing factories and sales customers adopt the discrete policy, so there is no risk of concentration of purchases or sales.

(X) The impacts and risks anticipated from the massive transfer of shareholding by directors, supervisors or key shareholders who hold more than 10% in shareholding and the Company's countermeasures: None.

(XI) The impacts and risks anticipated from the change in the managerial powers and the Company's countermeasures: None.

(XII) For contentious or non-contentious matters, the following contents should be listed: major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute up to the publication date of the annual report: None.

(XIII) Other critical risks and response measures: None.

VII. Other important disclosures

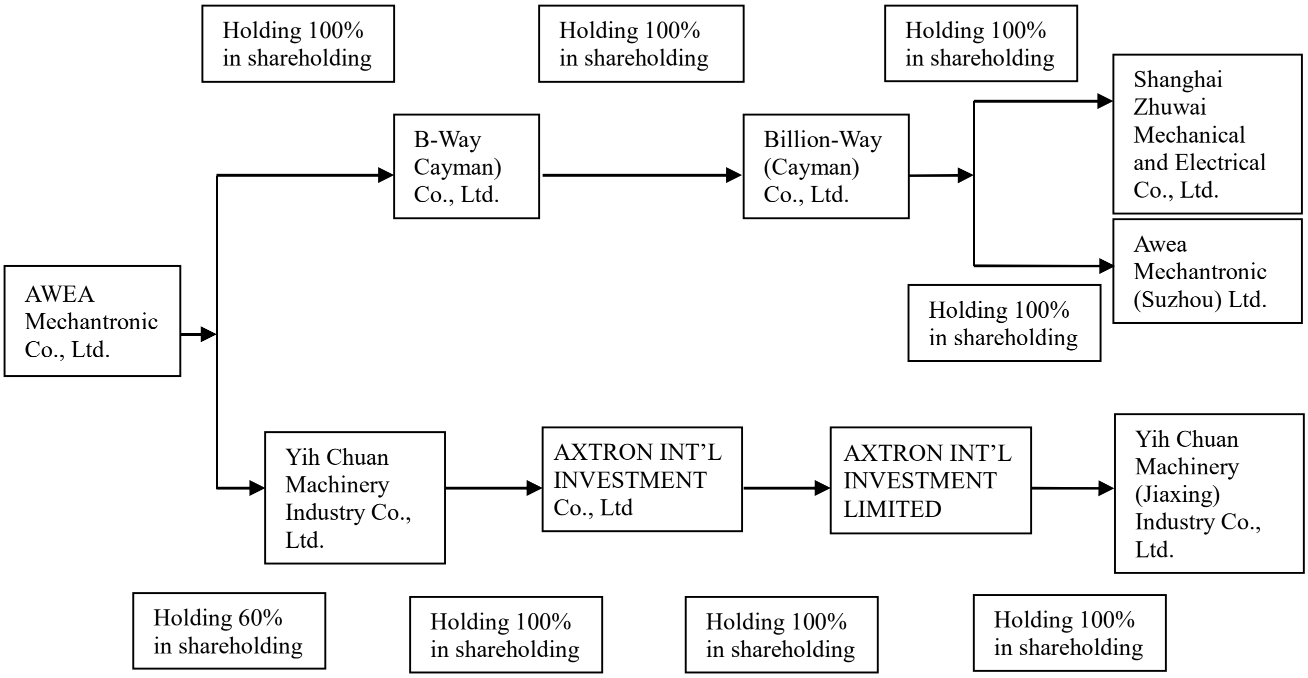
None.

# Chapter VIII. Special Disclosure

I. Relevant information of affiliated enterprises

(I) Consolidated business reports teaming up with affiliated enterprises

1. Organization structure of affiliated enterprises (as of April 30, 2024)




2. Basic information of affiliated enterprises

Date: March 31, 2024
Unit: NT$ thousand; US$ thousand

| Name of enterprise | Establishment date | Address | Paid-in capital | Main business activities |
|---|---|---|---|---|
| B-WAY(Cayman) Co., Ltd. | January 11, 2001 | Cayman Islands | NT$332,212 | International investment and international trade |
| Billion-way(Cayman) Co., Ltd. | January 11, 2001 | Cayman Islands | NT$409,919 | International investment and international trade |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | February 14, 2001 | No.7801, Songze Avenue, Qingpu Industrial Zone, Shanghai | US$2,500 | Machinery sales and installation, business management consultation, and international trade |
| Awea Mechantronic (Suzhou) Ltd. | September 4, 2007 | No.4888, East Taihu Avenue, Economic & Technological Development Zone, Wujiang | US$11,400 | Machinery sales, manufacturing and installation, and international trade |
| Yih Chuan Machinery Industry Co., Ltd. | November 3, 1972 | 2F, No. 13-1, Gongyequ 5th Rd., Xitun Dist., Taichung City | NT$98,580 | Manufacturing of machinery and equipment, design of products, wholesale of machinery, and retail of mechanical appliances |

| Name of enterprise | Establishment date | Address | Paid-in capital | Main business activities |
|---|---|---|---|---|
| AXTRON INT'L INVESTMENT CO.,LTD. | November 22, 2012 | Trust Company Complex,Ajeltake Road,Ajeltake The registered address is Island,Majuro,Marshall Islands MH96960 | NT$1,580 | International investment and international trade |
| AXTRON INT'L INVESTMENT LIMITED | March 25, 2013 | 7/F.,Chuang's Enterprises Building, 382 Lockhart Road, Wanchai,Hong Kong | NT$41 | International investment and international trade |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | November 27, 2000 | No.3198, Xiuzhou Industrial Park, Zhongshan West Road, Jiaxing City, Zhejiang Province | US$2,510 | Machinery sales, manufacturing and installation, and international trade |
| Huahan Leasing Co., Ltd. | October 13, 2015 | 1F, No. 13, Gongyequ 5th Rd., Xitun Dist., Taichung City | NT$50,000 | Leasing industry |

3. Information on the shareholders presumed to have a relationship of control and subordination: None.

4. Industries covered by the overall businesses of affiliated enterprises
   (1) Machine tool industry.
   (2) Machinery and equipment in the electronics industry.
   (3) International trade.

5. Information of directors, supervisors, and presidents of each affiliated enterprise

March 31, 2024
Unit: shares; %

| Name of enterprise | Title | Name or the representative person | Shares held | |
|---|---|---|---|---|
| | | | Number of shares | Ownership (%) |
| B-WAY(Cayman) Co., Ltd. | Person in charge | De-Hua Yang | 10,665,029 | 100% |
| Billion-way(Cayman) Co., Ltd. | Person in charge | De-Hua Yang | 12,829,840 | 100% |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Representative of juristic person and director | Cheng-Xuan Wang | — | 100% |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | President | Chang-Chi Yang | — | 100% |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | Supervisor | Hong-Bin Syu | — | 100% |
| Awea Mechantronic (Suzhou) Ltd. | Representative of juristic person and director | Cheng-Xuan Wang | — | 100% |
| Awea Mechantronic (Suzhou) Ltd. | Director and President | Chang-Chi Yang | — | 100% |
| Awea Mechantronic (Suzhou) Ltd. | Director | Qi-Guan Zeng | — | 100% |
| Awea Mechantronic (Suzhou) Ltd. | Director | Rui-Ming Ye | — | 100% |
| Awea Mechantronic (Suzhou) Ltd. | Supervisor | Hong-Bin Syu | — | 100% |
| Yih Chuan Machinery Industry Co., Ltd. | Person in charge | Goodway Machine Corp. Representative: Cheng-Jun Yang | | |
| Yih Chuan Machinery Industry Co., Ltd. | Director | Goodway Machine Corp. Representative: De-Hua Yang | 3,943,200 | 40% |
| Yih Chuan Machinery Industry Co., Ltd. | Director | Goodway Machine Corp. Representative: Bi-Lian Chen | | |
| Yih Chuan Machinery Industry Co., Ltd. | Supervisor | AWEA Mechantronic Co., Ltd. Representative: Hong-Bin Syu | 5,914,800 | 60% |
| AXTRON INT'L INVESTMENT CO., LTD | Person in charge | Bi-Lian Chen | — | 100% |

| Name of enterprise | Title | Name or the representative person | Shares held | |
|---|---|---|---|---|
| | | | Number of shares | Ownership (%) |
| AXTRON INT'L INVESTMENT LIMITED | Person in charge | Bi-Lian Chen | — | 100% |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Representative of juristic person | Bi-Lian Chen | — | 100% |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Director | Qi-Guan Zeng | — | 100% |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Director | Shang-Ru Yang | — | 100% |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Director | Jian-Wen Kang | — | 100% |
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | Supervisor | Chang-Chi Yang | — | 100% |
| Huahan Leasing Co., Ltd. | Person in charge | De-Hua Yang | 666,667 | 13.33% |

6. Business performances of affiliated enterprises

December 31, 2023
Unit: NT$ thousand

| Name of enterprise | Capital | Total assets | Total liabilities | Net value | Operating revenue | Operating income (loss) | Profit and/or loss for the period (after tax) | Earnings per share (NT$) (after tax) |
|---|---|---|---|---|---|---|---|---|
| B-WAY (Cayman) Co.,Ltd. | 334,213 | 709,731 | 0 | 709,731 | 0 | (235) | 57,841 | 0.17 |
| Billion-way (Cayman) Co.,Ltd. | 406,355 | 706,493 | 0 | 706,493 | 0 | (241) | 58,052 | 0.14 |
| Shanghai Zhuwai Mechanical and Electrical Co., Ltd. | 83,058 | 154,004 | 3,252 | 150,752 | 0 | (2,904) | 7,597 | Note |
| Awea Mechantronic (Suzhou) Ltd. | 354,478 | 931,856 | 387,552 | 544,304 | 872,690 | 78,002 | 58,604 | Note |
| Yih Chuan Machinery Industry Co., Ltd. | 98,580 | 307,491 | 73,138 | 234,353 | 13,252 | (41,627) | (51,263) | (5.20) |
| AXTRON INT'L INVESTMENT CO., LTD. | 1,580 | 205,164 | 0 | 205,164 | 0 | 0 | (21,254) | (13.45) |
| AXTRON INT'L INVESTMENT LIMITED | 41 | 205,163 | 0 | 205,163 | 0 | 0 | (21,254) | Note |

| Name of enterprise | Capital | Total assets | Total liabilities | Net value | Operating revenue | Operating income (loss) | Profit and/or loss for the period (after tax) | Earnings per share (NT$) (after tax) |
|---|---|---|---|---|---|---|---|---|
| Yih Chuan Machinery (Jiaxing) Industry Co., Ltd. | 82,781 | 284,249 | 79,086 | 205,163 | 172,820 | (24,503) | (21,254) | Note |
| Huahan Leasing Co., Ltd. | 50,000 | 74,925 | 12,823 | 62,102 | 9,844 | 3,270 | 2,080 | 0.40 |

Note: The currency unit of Shanghai Zhuwei Mechantronic/ AWEA Mechantronic (Suzhou) is RMB thousand. Conversion of exchange rate of earnings per share is not calculated for mainland companies: CNY (RMB) 1 = NT$ (NTD) 4.302.

II. The basis for the date, amount and price approved by the shareholders' meeting or the Board of Directors and its reasonableness, the method for selection of the specific person, and the necessary reasons for private placement shall be disclosed for the private placement of securities in the latest year and up to the publication date of the Annual Report.

None.

III. Holding or disposal of the company's shares by its subsidiaries in the latest year and up to the publication date of the annual report:

None.

IV. Other necessary supplemental information

None.

# Chapter IX. Any situation Specified in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which has Significant Impacts on shareholders' Equity or the Price of the Company's Securities, and Occurred in the Latest Year and up to the Publication Date of the Annual Report, shall also be Specified One by One

None.