Stock Code:4513

FALCON MACHINE TOOLS CO., LTD.

2023 Annual Report

Printed on April 27, 2024

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Taiwan Stock Exchange Market Observation Post System:

http://mops.twse.com.tw

2023 Annual Report is available at

https://www.chevaliertw.com

1. **Spokesperson**
   Name: Frank Chang
   Tittle: Financial Department Deputy Director
   Tel:+886-4-799-1126 ext. 553
   E-mail:frank@chevalier.com.tw

2. **Deputy spokesperson**
   Name: Tammy Lin
   Title: Special Assistant to General Manager's Office
   Tel:+886-4-799-1126 ext. 211
   E-mail:tammylin@chevalier.com.tw

3. **Headquarters and Factory**
   Address: No. 34, Xingong Road, Shengang Township, Changhua County，Taiwan
   TEL:+886-4-799-1126

4. **Stock Transfer Agent**
   Name: Capital Securities Corp Registrar Agency Dept.
   Address: B2F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106420, Taiwan, R.O.C.
   Tel: +886-2-2702-3999
   Website:https://agency.capital.com.tw

5. **Auditors**
   Ernst & Young Accounting Firm
   Auditors: Chen, Zheng-Chu and Hong, Guo-Sen
   Address: 26F, No. 186, Shizheng N. 7th Rd., Xitun Dist., Taichung City, Taiwan
   TEL: +886-4-2259-8999
   Website:https://www.ey.com/tw/zh/home

6. **Overseas Securities Exchange:**Not applicable

7. **Company website:**https://www.chevaliertw.com

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I.Letter to Shareholders

Dear Shareholders,

Welcome to the 2024 annual shareholders' meeting. We extend our gratitude to all shareholders for their support and patronage. We hereby present a summary report on the operating results for the year 2023 and the business plan for the year 2024:

2023 Business Report

I.Consolidated financial results:

The Ministry of Finance's Customs Administration has released the preliminary import and export trade statistics for Taiwan from January to December 2023. According to the Taiwan Association of Machinery Industry, the cumulative export value of machine tools for the year 2023 was $2.599 billion, an decrease of 14% compared to the same period in 2022. Of these exports, the export value of metal cutting machine tools was approximately $2.2 billion, an decrease of 13.3% compared to the same period in 2022, while the export value of metal forming machine tools was $395 million, an decrease of 17.7% compared to the same period in 2022.

Our company's net operating income for the year 2023 was NTD 1.290 billion, which is a 19.85% decrease from the net operating income of NTD 1.610 billion in 2022. However, in terms of profit and loss, we had a profit of NTD 115.652 million in 2023, compared to a loss of NTD 22.995 million in 2022, a increase of 602.94%.

The comparison for operating income and surplus/deficit between 2023 and 2022 is as follows:

Unit: NT$ Thousands

Item	2023	2022	Increase(Decrease)in amount	Percentage Change (%)
Net Profit	1,290,783	1,610,552	(319,769)	(19.85%)
Operating Costs	924,668	1,206,683	(282,015)	(23.37%)
Operating Margin	366,115	403,869	(37,754)	(9.35%)
Operating Expenses	404,473	388,533	15,940	4.10%
Operating Profit (loss)	(38,358)	15,336	(53,694)	(350.12%)
Net income	208,100	(2,651)	210,751	7,949.87%
Pre-tax income	169,742	12,685	157,057	1,238.13%
Net income after tax	115,652	(22,995)	138,647	602.94%

II.Budget implementation:

Based on the "Guidelines for Processing Public Financial Forecast Information of Publicly Traded Companies," our company is not required to disclose financial forecast information for the fiscal year 2023,so there is no data available regarding the budget execution status for the year 2023.

III.Profitability Analysis:

ITEM	2023	2022
Non-operating income and expenses(NT$)	208,100	(2,651)
Return on total assets (%)	3.02	(1.86)
Return on equity (%)	10.39	(2.82)
Ratio of Operating Income to paid-in capital (%)	(3.59)	1.99
Ratio of income before tax to paid-in capital (%)	15.88	1.65
Net Profit Margin (%)	8.96	(1.43)
Earnings per share (NT$)	1.44	(0.30)

IV.Research and development status:

1.The ratio of research and development expenses to current year operating income for the past two years of our company is shown below:

Year	2023	2022
R&D Expenses	56,527	54,492
Percentage of Revenue(%)	4.38	3.38

2.Research and development achievements:

Product development is crucial for a company's long-term operations and sustainable growth. Company is committed to continuously developing new products and commercializing them. Regardless of the economic environment, we never stop our pace of product development. In recent years, company have introduced new machine models such as vertical grinding centers, double-sided grinding machines, precision mold processing machines, intelligent automated aluminum wheel production lines, non-circular piston vertical lathes, specialized grinding machines for bolt slots, 5-axis vertical machining centers, large and medium-sized vertical lathes, and continue to optimize existing models to meet the high-precision machining needs of industries such as oil and gas, IT, automotive/electric vehicles, aerospace, mold manufacturing, as well as the sustained growth of industries such as railways and ships, and to develop new trends in high-tech machine tools with high added value such as large-scale, high-speed cutting, high-precision, and intelligent automation. Furthermore, company is continuously improving the existing products and actively provide customized services, manufacturing customized equipment and comprehensive processing (Turn Key) solutions to meet customer needs. In the future, company's main focus will be on the research and develop of intelligent mechanical communication systems (iMCS) and new material processing equipment models, providing customers with material technology solutions and equipment integration solutions to enhance product added value.

The company currently holds 20 patents within the patent term.The patent layout covers the development of structure, control system, and intelligent automation technology for the milling and grinding of vehicles, as well as the manufacturing technology of fixtures.

Business Plan for year 2024

I.Business Objectives

After thorough communication among the management team, Falcon Co., Ltd. has established the following three major operational policies for the year 2024 prioritizing revenue and profitability through effective management, streamlining and optimizing talent cultivation and training, and tracking and controlling profitability. The three operational policies are as follows:

1. Prioritizing revenue and profitability
2. Talent cultivation
3. Operations - Strengthening organizational management and improving efficiency
4. Plans to actively expand into new businesses such as real estate and agency sales

II.Important Production and Sales Policies

1. In response to globalization and global marketing, it is crucial to understand and cater to the needs of local market users. This requires not only working closely with distributors, but also actively training international talents to rapidly adopt new technologies and provide support to both distributors and customers, ultimately ensuring the achievement of business objectives.
2. The COVID-19 pandemic has resulted in a greater focus on online marketing and the utilization of social media platforms in advertising and marketing efforts. This will accelerate companies' digital transformation in their marketing strategies.
3. Our goal is to have grinding machine orders account for more than 40% of sales and achieve a multiple-fold growth in sales. To accomplish this, we will share and replicate successful case studies of grinding machines and standardize special attachments.

4. Our objective is to create a more service-oriented manufacturing industry. To achieve this, we will strengthen our sales and service centers, and ensure that pre-sales, during-sales, and after-sales services are in place. We will also enhance our customized production technology to reach our goals. Additionally, we will continue to expand market demand through international Turn Key Solutions
5. To prevent similar issues from recurring in the future, we will propose and implement measures accordingly. We will actively clear out abnormal inventory, establish clearance strategies, and reduce the amount of stagnant inventory.
6. We will establish and maintain a comprehensive sales and service maintenance manual to improve the execution rate of service calls. We will review and adjust the inventory of commonly used sales and service parts for mass production machines every quarter, and ensure effective management of the inventory value. This will improve the delivery efficiency of sales and service parts.
7. We will continue to implement our quality policy by enhancing our intelligent technology, demonstrating stable quality, continuous improvement, and prioritizing service efficiency to meet customer needs. We will also strengthen our international brand and achieve our quality goals for 2023, which includes targets for internal and external failure costs, claims execution rate, and the number of customer complaints.
8. We will implement self-inspection checklists and create standard assembly instructions to prevent defective products from entering the production site. This will help establish basic data for smart manufacturing SOPs and standard work hours.
9. According to the production and sales schedule, we will establish a machine process breakdown and assign specific roles and responsibilities to ensure standardized operating skills and achieve our production goals. We will also ensure the proper execution of the return material process.
10. We will establish a job analysis of production unit work functions and schedule personnel education and training to establish a system for identifying the ability of "basic operational skills/multi-skilled workers who can work independently and possess problem-solving and improvement capabilities.
11. We will capitalize on our management team's expertise and resources to expand our business operations in the real estate sector, including offering real estate agency services, developing self-built properties, and partnering in joint real estate projects.

III.Business Objectives for Year 2024:

Considering the impact of COVID-19 on our business goals and the overall industry, as well as the global economic recovery, rising raw material prices, supply chain constraints, and the heating up of inflation in major economies, which intensifies the pressure to exit from loose monetary policies, and the possibility of the Fed accelerating the tightening of monetary policy, will affect the global economy. We anticipate selling approximately 733 units of our products under the parent company and a total of approximately 976 units under the entire group in the fiscal year 2024. We will continue to focus on creating and increasing the added value of our products, such as processing electric vehicles, semiconductor industry, medical, 3C, and 5G industry equipment, and strive to achieve our vision of "becoming the only choice for the best machine tools.

Development Strategy

(1) Adhering to the business philosophy of "Steady management, striving for perfection, gaining international recognition, and sharing prosperity," we will strive to achieve our vision of "becoming the only choice for the best machine tools.
(2) We will deepen our presence in the machine tool industry, embrace AIOT, and continuously innovate and develop high-precision, high-efficiency, high-quality, and highly intelligent machine tool products. We will strengthen our position as a leader in the grinding machine market and achieve industrial upgrading.
(3) Our marketing, design, application, and sales and service departments should be responsive and understand market demands and changes to provide high-quality customized services. We will

enhance machining technology, application technology, fixture design, and manufacturing, and strengthen pre-, during-, and post-sales customer service to improve customer satisfaction, meet their needs, and create favorable brands like "CHEVALIER."

(4) We will pay attention to and master changes and fluctuations in the market environment and rapidly evolving technology, effectively control risks, adjust the scope of product applications and industries, and improve processing equipment to meet the demand for new materials. We will continue to implement performance management with the spirit of FPS.

(5) We will promote strategic alliances in the machine tool industry for mutual benefit and actively participate in industry-government-academia-research cooperation to develop key technologies for processing new materials.

(6) We will cultivate the real estate sales and development business to establish a new source of profit for the company.

The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

(1) Geopolitical factors are causing customers to have concerns about future equity and after-sales service, negatively impacting sales.

(2) The duration and extent of interest rate hikes by major central banks in Europe and the United States in 2024 will affect the global economic and financial situation.

(3) The United States is progressively implementing export controls on China, which will lead to a more severe polarization of the global supply chain. This will increasingly pose challenges to sales in countries under these export controls.

(4) The frequency and severity of natural disasters related to climate change are increasing globally, heavily impacting the supply of bulk commodities and likely exacerbating price volatility. Attention to Environmental, Social, and Governance (ESG) issues will continue to deepen and be emphasized.

(5) The ongoing conflict between Russia and Ukraine is proving difficult to resolve. Despite Europe's efforts to diversify its energy sources, it will still significantly affect its industries and civilian life, subsequently impacting the global economy.

Falcon is continuously enhancing its management practices and employee training to establish a strong foundation for transformation. The management team is dedicated to changing traditional mindsets and approaches, improving management efficiency, and mastering the research and development of new material processing technologies. They are producing a variety of highly competitive processing machines. Additionally, they are set to launch a project near the High-Speed Rail Tainan Station called the " Geometry Museum of Zaborin," aimed at ensuring a competitive edge in the market and boosting profitability. We kindly ask our shareholders to continue their support, care, and to provide encouragement and guidance.

Sincerely yours,

Falcon Machine Tools CO., LTD.

Chairman:	Director:	Account Supervisor:
Lin, Tsung-Lin	Tung, Shang-Yu	Pei, Yu-Wen

II.Company Profile

2.1.Date of Incorporation：1978/04/13

2.2.Company History：

1978 The company's history can be traced back to April 21, 1972 when Chairman Zhang, Po-Ming founded the FALCON ENTERPRISE CO., LTD. After 4 years, on April 13, 1978, Zhang, Po-Yuan and Song, Yin-Sen were invited to establish Chevalier Machinery Inc. The company specialized in the production of high-precision surface grinding machines, and Zhang Shao-Quan was appointed as the first Chairman. In September of the same year, Chevalier Machinery participated in the International Machinery Exhibition in Chicago and received positive feedback, which laid the foundation for the company's trademark brand "CHEVALIER" to be marketed overseas

1980 Collaborating with Cuttermaster technology in the United States to produce tool grinders

1981 Honored to be awarded the Grade A Quality Control Manufacturer by the national government, making us the first grinding machine manufacturer in Taiwan to receive this recognition. The company also received the government's Product Certification Mark, becoming the first grinding machine manufacturer in Taiwan to receive this recognition as well

1983 Awarded first place in the Ministry of Economic Affairs Catalog Design Competition. This recognition has helped us improve our product self-sufficiency and quality, leading us to construct our second factory.

1984 Director Zhang, Po-Ming was appointed as Chairman

1985 Pass the certification inspection by the Chinese Precision Machinery Industry Association (CPMIA), becoming the first grinding machine manufacturer in the industry to receive this recognition

1987 Awarded the Excellent Product Design Award from the Taiwan External Trade Development Council (TAITRA). To address the needs of diversified production and automated product development, we built our third factory. Our company is also dedicated to giving back to society, and our Chairman was recognized as a national representative for good deeds and received commendation from former President Lee, Teng-Hui

1989 The company invested NT$15 million in the completion of the fourth factory and the addition of ultra-precision inspection equipment. They were also recognized with the Best Self-Created Brand Award at the Taipei International Machine Tool Show. In addition, they have been registered as a center-satellite excellent manufacturer by the Industrial Development Bureau.

1990 Awarded the Best CNC Grinding Machine Development Award by the Machinery Association

1992 To align with international trends and support its diversification strategy, the company changed its name from "Falcon Machinery Co., Ltd." to "Falcon Enterprise Co., Ltd." The company was the first tool machine company in Taiwan to receive "ISO 9002" certification from the Bureau of Standards, Metrology, and Inspection of the Ministry of Economic Affairs and the British Standards Institution (BSI). It was also awarded the "Excellent Award" at the 3rd Tool Machine Research and Development Innovation Product Competition, organized by the Taiwan Machine Tool & Accessory Builders' Association.

1993 Participated in the National Brand Yushan Award competition held by the Ministry of Economic Affairs and received the "Outstanding Boutique Award"

1994 Successfully completed the Ministry of Economic Affairs' lead project to develop a new product - a four-axis high-speed robot. This product has obtained CE certification from the European Union

1995 Received the "Good Product Award" at the Tool Machine Research and Development Innovation Product Competition. First factory in the Quanxing Industrial Zone was completed, and obtained approval for a public offering

1996 The second phase of construction for our factory in the Quanxing Industrial Zone was completed, along with the successful development of new products including CNC lathes and 5-axis CNC grinders. As part of our expansion efforts, company also invested in "CHEVALIER MACHINERY INC." in Los Angeles, USA, which has since become our subsidiary company.

1997 The first in the grinder industry to pass the certification inspection by the Chinese Institute of Precision Machinery (CIPM). Additionally, company received the "ISO 9001" certification from the Bureau of Commodity Inspection and Quarantine of the Ministry of Economic Affairs. Our grinder also won the highest honor in its category at the Taipei International Machine Tool Show's Research and Development Innovation Product Competition. Company also completed the construction of our third and fourth phase of factories in the Quanxing Industrial Zone

1998 Company's stocks were officially listed for Over-the-Counter Market trading on March 25th. Additionally, company have also completed the construction of our fifth factory in the Quanxing Industrial Zone.

1999 Quanxing factory has been completed, and company have established a subsidiary company in Germany. The second factory in Quanxing has also been finished. Furthermore, our SMART-818 grinder has been awarded the "Taiwan Excellence Award", and our electronic business department has commenced production

2000 Passed the ISO 14000 certification

2001 ULTRA-H612CNC sub-micron and PC-based grinder has been awarded the "Taiwan Excellence Award". Factory and office are also consolidated into one location. Furthermore, the machine tool business is established a plant in Shanghai

2003 The second phase of the Shang Hai Chevalier Machinery INC has been completed and put into operation. Collaborate with American technology to develop and produce the MDP molecular decomposition grinder. The first linear motor grinder 608LM in China was launched and introduced the first oil-hydrostatic grinder technology in sync with Europe.

2004 Introducing the QP series integrated machining center. The MDP molecular decomposition grinding machine has won the Reader's Choice Technology Innovation Award at the Chicago International Machine Tool Show.

2005 Signed a technology cooperation agreement for vertical lathes with a major Japanese technical company. The high-speed linear motor CNC grinder 608LM has won the Taipei International Machine Tool Show Product Technology Innovation Award, and was awarded the Excellence Award in the grinding machine category. Launched a new vertical lathe.

2006 Dissolve with two subsidiaries, Cheng Hui Investment Company and Fu Jia Investment Co., Ltd., has been approved. In addition, released the FPG-V1632DC dual-head grinder, which boasts nanometer-level precision.

2007 Launched a new series of high-precision heavy-duty gantry milling machines, as well as a next-generation series of high-precision heavy-duty gantry grinders.

2008 Invest in Fu Yu Machinery Co., Ltd., which specializes in producing large gantry milling machines, vertical machining centers, and CNC horizontal boring and milling machines.

2009 Amidst the global financial crisis, underwent a corporate resource consolidation and merged with Fu Yu Co., Ltd.

2010 Successfully developed a high-precision linear guide vertical gantry machining center (DCL).

2011 Launched a large vertical grinding center machine (FVG-4040DC).

2013 Subsidiary in China, Shanghai Chevalier Machinery INC, has officially relocated to Suzhou. Construction of a new comprehensive office building has begun at Chuan Sing Industrial Park. Additionally, successfully developed and unveiled an intelligent elevated mechanical arm automated production line for aluminum wheel rims.

2014 Participated in the Aerospace Machining Equipment Integration Project under the A+ Program of the Ministry of Economic Affairs.

2015 The new comprehensive office building at Chuan Sing Industrial Park has been completed, and moving in by May. Successfully completed the disposal of Chuan Sing Industrial Park Plant 2.

2016 Falcon Group has initiated the FPS improvement project comprehensively

2017 Developed an ultrasonic spindle

2018 Completed the development of a 3D glass hot-press molding precision graphite machining machine and started mass production. Exhibited our double-sided grinding and processing machine at the Taipei International Machine Tool Show

2019 Develop a smart machine communication system and working on an online product description and sales service system

2020 Developing SMART iControl 4 hardware and software functionality.

2021 Uploaded company's machining videos on YouTube and participated in the Foreign Trade Association's 360 video promotion program.

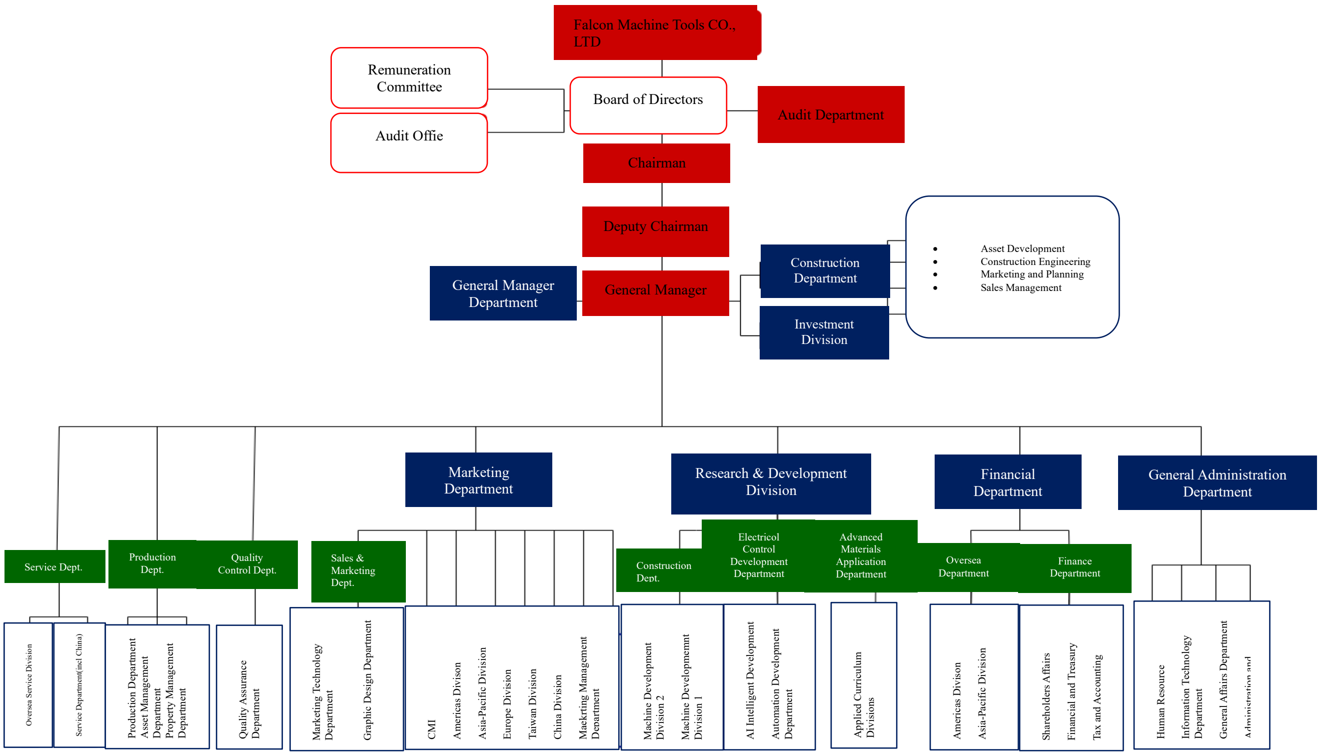
2022 Established a subsidiary, “Lin Yu International Industry Co., Ltd”. Launched the new design SMART-IV series of high-intelligence CNC grinding machines and new size FSG-20ADIV series of CNC surface grinding machines.

2023 The company has issued 30,000,000 private common shares, raising the paid-in capital to 1,068,803 thousand dollars. The company's articles of incorporation have been updated to include the business of developing, renting, and selling residences and buildings, and to join the Real Estate Development and Industrial Associations of Tainan and Kaohsiung Cities.

III.Corporate Governance Report

3.1.Organization

3.1.1Organizational Chart



3.1.2Major Corporate Functions

Department	Functions
General Manager Department	1. Technical personnel training and development, including the design of training programs and management of workplace health and safety. 2. Planning, drafting, and tracking company operational plans。 3. Establishing, promoting, supervising, and improving various management systems, incentive systems, and performance assessment systems within the company. 4. Coordination across departments, project evaluation, and promotion. 5. Ensuring company information security, including updating and maintaining computer systems and managing and maintaining information equipment. 6. Managing personnel recruitment, selection, education and training, career development, remuneration and benefits, employee relations, and performance evaluation. 7. Managing personnel attendance, calculating payroll, implementing education and training programs, conducting performance evaluations, and maintaining employee welfare relations. 8. Handling general administrative and related affairs, as well as maintaining fixed assets.
Finance Department	1. Management of fixed assets. 2. Handling, auditing, and preparing financial statements for accounting and taxation purposes. 3. Cost accounting and analysis, inventory (including fixed assets) planning, and related operations. 4. Compilation, variance analysis, and control of annual budgets. 5. Financial management, acquisition and utilization of short-, medium-, and long-term funds, and related scheduling matters. 6. Legal person, handling of debts, and maintenance of intellectual property rights such as trademarks and patents. 7. Management of investment ventures. 8. Management of stock affairs.
Research & Development Division	1. Development of new products, improvement of existing products, research and development of new technologies, mechanical design, and research and development of mechanisms and electronic controls. 2. Assistance in solving quality and technical issues related to company products. 3. Establishment and updating of product bills of materials (BOM).
Sales & Marketing Department	1. Responsible for market research, business development, exhibition participation, and sales in the Americas, Asia Pacific and Middle East, Eastern Europe and Russia, domestic, and mainland China regions. 2. Management of agents and collection of accounts receivable.
Construction Department	1. Evaluation of pre-project operations, product planning and positioning, and related contract management. 2. Integrated marketing services, providing professional agency services.
Investment Department	1. Analysis of investment value and feasibility for new business ventures.
Quality Control Department	1. Implementation of various inspection and testing systems to ensure the quality of raw materials and finished products in compliance with ISO certification requirements. 2. Planning of the company's quality assurance system, coordination with relevant units for prevention, tracking, and improvement of major quality anomalies to meet customer needs and reduce complaints.
Production Department	1. Production and manufacturing operations such as machine assembly, installation, and testing. 2. Control and improvement of production processes, enhancement of production technology, and management of production environment. 3. Maintenance, upkeep, and management of production equipment assets, application tools, etc. 4. On-the-job education and training for technical personnel, training plans, and implementation of factory health and safety measures. 5. Relevant operations such as raw material procurement, warehouse management, raw material cost management, and raw material inventory management. 6. Development, maintenance, and management of suppliers (including defense contractors) and control of accounts payable. 7. Management of production planning, material management, and production-sales coordination. 8. Operations related to process planning and environmental monitoring management, process control and quality monitoring management, communication and management of production information, scheduling, and management. 9. Production and manufacturing operations such as parts processing, assembly, installation, and testing.
Service Department	1. Providing pre-sales, in-sales, and after-sales services and consultation for customers based on their needs. 2. Responsible for providing after-sales services, handling customer complaints, and maintaining customer relationships for domestic and international customers, as well as the Longmen series, to enhance customer satisfaction with the company.
Audit Department	1. Ensure the effective and efficient implementation of internal control systems, strengthen corporate governance, and establish mechanisms for enterprise risk assessment and risk management. 2. Investigate and evaluate the soundness, reasonableness, and effectiveness of the internal control systems and various management systems implemented throughout the company. 3. Audit the efficiency of each unit in executing the company's plans or policies and make recommendations for improvement. 4. Manage the receipt and dispatch of relevant documents related to internal auditing, revise the written internal control system, and distribute it accordingly.

3.2.Directors, Supervisors and Management Team

3.2.1.Information on Directors and Supervisors

Date: April 27th , 2024 ; Unit: Shares

Job Title	Nationality or place of registration	Name	Gender Age	Date of election / appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree		
							No.of Shares	Shareholding ratio	No.of Shares	Shareholding ratio	No.of Shares	Shareholding ratio	No.of Shares	Shareholding ratio		Job Tittle	Name	Relationship
Chairman	R.O.C	Lin, Tsung -Lin	Male 51-60	2022. 10.21	3	2022. 10.21	100,000	0.13%	8,301,000	7.77%	0	0%	0	0%	1.Department of Forestry, National Pingtung University of Science and Technology	NO	NO	NO
Vice Chairman		Tung, Shang -Yu	Male 51-60	2022. 10.21	3	2022. 10.21	2,000	0.00%	1,261,000	1.18%	0	0%	0	0%	1.Department of Industrial Engineering and Management	NO	NO	NO
Corporate Director /Representative		Linju Investment Co., Ltd.	-	2022. 10.21	3	2022. 10.21	8,300,000	10.77%	10,061,000	9.41%	0	0%	0	0%	Not available	NO	NO	NO
		Lin, Yi -Zhen	Female 51-60	2022. 10.21	3	2022. 10.21	0	0%	0	0%	0	0%	0	0%	1.Master in Business Administration (MBA),Long Island, University, US 2.Department of Accounting, New York University	NO	NO	NO
		Zhang, Yu -xin	Female 21-30	2022 .10.21	3	2022. 10.21	0	0%	0	0%	246,000	0.23%	0	0%	1.Department of Business Administration , Cheng Siu University	NO	NO	NO
Independent Director		Wu, Zhi -Chi	Male 41-50	2022. 10.21	3	2022. 10.21	0	0%	0	0%	0	0%	0	0%	1.Department of Accounting, Shih Chien University	NO	NO	NO
		Gong, Xin -Jie	Male 41-50	2022. 10.21	3	2022. 10.21	0	0%	0	0%	0	0%	0	0%	1. Master of Laws, Minnesota State University 2.Department of Law, National ChengChi University	NO	NO	NO
		Chen, Li- Yun	Male 61-70	2022. 10.21	3	2022. 10.21	0	0%	0	0%	0	0%	0	0%	1.PhD in Economics, Xiamen University 2. Executive Master of Business Administration (EMBA), National Chengchi University	NO	NO	NO

Note 1: Position held by the director of this company and other companies as follows:

Lin, Tsung-Lin
Chairman of Sun Xin Construction Co., Ltd.
Chairman of Sun Bo International Co., Ltd.
Chairman of Sun Young International Architecture Group
Chairman of Sun Wei Investment Co., Ltd.
Chairman of Yue Yang International Industrial Co., Ltd.
Chairman of Tai Lin Development Co., Ltd.
Chairman of Qingyong International Industrial CO., LTD
Chairman of Qingjingtien Investment Co., Ltd.
Chairman of Qingjingning Investment Co., Ltd.
Chairman of Qingjinglin Real Estate Co., Ltd.
Chairman of Qingjinglin Investment Co., Ltd.
Chairman of Qingjinglin Development Co., Ltd.
Chairman of Qingjinglin Assets Co., Ltd.
Chairman of Yangji Co., Ltd.
Chairman of Jingtsen Real Estate Co., Ltd.
Chairman of Lin Coffee Co., Ltd.
Chairman of Linju Investment Co., Ltd.
Chairman of Linyu International Industrial Co., Ltd.
Chairman of Hsiangyang International Development Co., Ltd.
Director of Everich Construction Co., Ltd.
Supervisor of Qingjingning Construction Co., Ltd.
Supervisor of Rui Young Construction

Tung, Shang-Yu
Chairman of Guangshang Construction Co., Ltd.
Chairman of Guangshang Investment Co., Ltd.
Chairman of Guangcheng Advertising Business Co., Ltd.
Chairman of Guangcheng International Industrial Co., Ltd.
Chairman of Guangcheng Advertising Co., Ltd.
Chairman of Liancheng Advertising Business Co., Ltd.
Supervisor of Linju Investment Co., Ltd.
Vice Chairman and General Manager of Falcon Machine Tools Co., Ltd.

Lin, Yi-Zhen
Special Assistant to the General Manager of Falcon Machine Tools Co., Ltd.
Deputy Spokesperson of Falcon Machine Tools Co., Ltd.

Zhang Yu-Xin
Executive Assistant of Sun Young International Architecture Group

Wu, Zhi-Chi
Managing Partner of Cometrue Consulting Limited
Director of Song Yu Financial Advisory Co., Ltd.
Independent Director of Far EasTone Telecom munications Co., Ltd.
Independent Director of Cen Link Co., Ltd.

Gong, Xin-Jie
Lawyer at Global Network Commerce Legal
Chairman of Longhe Enterprise Management Advisory Co., Ltd.
Independent Director of Ji-Haw Industrial Co., Ltd.

Chen, Li-Yun
Chairman of Yuan Kon Health & Lifestyle Co., Ltd.
Chairman of Dihong Management Consulting Co., Ltd.
Independent Director of Sea Mild Biotech

I.Major shareholders of the corporate shareholders:

Name of corporate shareholders	Major shareholders of the corporate shareholder
Lin-Ju Investment Co., Ltd.	Lin, Tsung-Lin(0.01), Guang Shang Investment Co., Ltd. (31.25), Qingjingning Investment Co., Ltd. (37.49), Lucchi Investment Co., Ltd(31.25)

II.Major shareholders of the Company’s major institutional shareholders:

Name of corporate shareholders	Major shareholders of the corporate shareholder
Guang Shang Investment Co., Ltd.	Tung, Shang-Yu(23),Tung, Zhao-Ling(22),Tung, Zhao-Ying(28),Tung, Lin Mei-Gui(27)
Qingjingning Investment Co., Ltd.	Lin, Tsung-Lin(99.84),Wu He-Bei(0.16)
Lucchi Investment Co., Ltd	Hua Qi-Xiang(100)

III.Professional qualifications and independence analysis of directors and supervisors:

<table>
<tr><th>Criteria / Name</th><th>Professional Qualifications</th><th>Independence Analysis</th><th>Number of independent directorships held in other publicly listed companies</th></tr>
<tr><td>Chairman:
Lin,Tsung-Lin</td><td>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.
· Graduated from the Department of Forestry at National Pingtung University of Science and Technology.
· Currently serves as Chairman of the Company, as well as Chairman of Sun Young International Architecture Group and Qing Yang International Industrial Co., Ltd.
· None of the circumstances specified in Article 30 of the Company Act apply.</td><td>Not Applicable</td><td>NO</td></tr>
<tr><td>Vice Chairman:
Tung,Shang-Yu</td><td>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.
· Graduated from the Department of Industrial Engineering and Management at National Kaohsiung University of Science and Technology.
· Current serves as Vice Chairman and General Manager of the company, as well as Chairman of Guangshang Construction Co., Ltd.
· None of the circumstances specified in Article 30 of the Company Act apply.</td><td>Not Applicable</td><td>NO</td></tr>
<tr><td>Director:
Lin,Yi-Zhen</td><td>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.
· Graduated with a Master's degree in Business Administration from Long Island University in the United States, and a Bachelor's degree in Accounting from New York University.
· Formerly held positions as a Senior Investment Manager in the Wealth Management division of Tai Shin Bank, and as an Assistant Manager at Better Life Group Co., LTD.
· Currently serving as Executive Assistant in the General Manager's Office and Deputy Spokesperson for the company.
· None of the circumstances specified in Article 30 of the Company Act apply.</td><td>Not Applicable</td><td>NO</td></tr>
<tr><td>Director:
Zhang,Yu-xin</td><td>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.
· Graduated from the Department of Business Administration at Cheng Shiu University of Science and Technology.
· Currently serving as Executive Assistant at Sun Young International Architecture Group
· None of the circumstances specified in Article 30 of the Company Act apply.</td><td>Not Applicable</td><td>NO</td></tr>
<tr><td>Independent Director:
Wu,Zhi-Chi</td><td>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.
· Graduated from the Department of Accounting at Shih Chien University and obtained a CPA certificate
· Currently serving as the Managing Partner of ComeTrue Consulting Limited, as well as an Independent Director of Far Eastern New Century Corporation and Cen Link Co., Ltd
· None of the circumstances specified in Article 30 of the Company Act apply.</td><td rowspan="3">· Company's independent director satisfies the criteria for independence
· Requires that the director, their spouse, and relatives up to the second degree have not held positions as directors, supervisors, or employees in our company or related entities; do not possess any shares in our company and have not held positions as directors, supervisors, or employees in companies that have significant relationships with our company.
· Not received any remuneration for providing business, legal, financial, accounting, or other services to our company or its related entities in the last two years</td><td>2</td></tr>
<tr><td>Independent Director:
Gong,Xin-Jie</td><td>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.
· Graduated with a Master of Laws degree from the University of Minnesota Law School, and obtained a Bachelor of Laws degree from National Chengchi University. Also obtained a lawyer's certificate.
· Currently servings as a lawyer at Global Network Commerce Legal, as well as an Independent Director of Ji-Haw Industrial Co., Ltd.
· None of the circumstances specified in Article 30 of the Company Act apply.</td><td>1</td></tr>
<tr><td>Independent Director:
Chen,Li-Yun</td><td>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.
· Graduated with a PhD in Economics from Xiamen University and an EMBA degree from National Chengchi University.
· Formerly worked as a trainer at the Listing Department/Business Department of the Securities and Futures Bureau.
· Currently serves as an independent director at Sea Mild Biotechnology Co., Ltd
· None of the circumstances specified in Article 30 of the Company Act apply.</td><td>1</td></tr>
</table>

IV.Board Diversity and Independence:

(1)Board Diversity:

Our company is committed to the goal of diversifying the backgrounds and independence of the members of the board of directors by ensuring their professional knowledge, experience, gender, and other diversified backgrounds. In response to the company's development strategy and changes in internal and external environments, appropriate candidates will be continuously invited to join the board of directors to enhance its balance, in line with the above objectives. To achieve the ideal goal of corporate governance, the members of our board of directors come from the management team, related industry managers, and professionals with financial, business, and accounting expertise. With different fields and work backgrounds, they effectively fulfill the responsibilities of board members, including establishing and maintaining the company's vision and values, assisting in promoting corporate governance and strengthening management, supervising and evaluating the implementation of policies and operational plans by the management, and taking responsibility for the overall operational status of the company in economic, social, and environmental aspects. This is to enhance the level of corporate governance and corporate value from the perspective of stakeholders.

Our company is dedicated to building a strong presence in the fields of machine tools, real estate, and property, aspiring to become a model of business excellence. Examining the list of our board members, Chairman Lin, Tsung-Lin has extensive experience in the company's business domains, grasping the intricacies of industry operations and development. His leadership style is open, and he is receptive to diverse perspectives.Directors Tung, Shang-Yu and Lin, Yi-Zhen have joined our management team, bringing a deep understanding of our organization and business operations. They excel in operational management, investment judgment, and possess a keen understanding of the international market. Among our female members, Director Zhang, Yu-Xin specializes in operational management and human resources. Our independent directors also bring valuable expertise to the table. Independent Director Chen, Li-Yun is well-acquainted with the general industrial landscape and economic development trends. Independent Director Gong, Xin-Jie possesses expertise in law, corporate management, and relevant experience. Independent Director Wu, Zhi-Chi combines financial, accounting, auditing, and information technology expertise.

(2)Board Independence:

The company has a board of 7 directors, including 3 independent directors. The independent directors serve for no more than three consecutive terms to maintain their independence and ability to objectively carry out their duties. Furthermore, they have not been involved in any situations covered by the provisions of the third and fourth paragraphs of Article 26-3 of the Securities and Exchange Act.

3.2.2.Information on the Management Team

Date: April,27 2024 ; Unit: Shares

Job Title	Name	Nationality	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Position concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remark(s) (Note)
					No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio			Job Title	Name	Relationship	
General Manager	Tung, Shang-Yu	Taiwan	Male	2022.10.21	1,261,000	1.18%	0	0%	0	0%	1.Department of Industrial Engineering and Management at National Kaohsiung University of Science and Technology. 2.Chairman of Guangshang Construction Co., Ltd.	Please refer to Pg9.	NO	NO	NO	NO
Vice General Manager and Chief Financial Officer	Pei, Yu-Wen	Taiwan	Female	2022.11.08	40,000	0.04%	0	0%	0	0%	1.Master in Graduate Institute of Future Studies from Tamkang University 2.Accounting from Tamkang University 3.Deputy Manager in the Audit Department of KPMG Taiwan 4.Chief Financial Officer in Ching Young International Industrial CO., LTD.	1.Legal Person in Top High Image Corp. 2.Chief Financial Officer in Ching Young International Industrial CO., LTD. 3.Representative in Tai He Xing CO., LTD.	NO	NO	NO	NO
Vice General Manager	Chen, Shih-En	Taiwan	Male	2003.03.01	62,191	0.06%	402	0%	0	0%	1.Department of Mechanical Engineering 2.Chairman of Fulson Industrial Co. Ltd	1.Chairman of Fulson Industrial Co. Ltd 2.Director of Hwang Kang Machinery Co.Ltd	NO	NO	NO	NO
Deputy General Manager	Zhang, Ming-Lun	Taiwan	Male	1995.07.01	139,047	0.13%	27,094	0.02%	0	0%	1.Department of Information Engineering and Computer Science in Feng Chia University 2.Director of Focus CNC Co. Ltd	1.Director of Focus CNC Co. Ltd.	NO	NO	NO	NO
Deputy General Manager	Zhang, Che-Hua	Taiwan	Male	2015.01.01	0	0%	354	0%	0	0%	1.Master in Department of Automatic Control Engineering, Feng Chia University	NO	NO	NO	NO	NO
Deputy General Manager	Feng, Chun-Chao	Taiwan	Male	2023.06.01	0	0%	0	0%	0	0%	1.Department of Food Processing Department, National Tseng-Wen Agricultural & Industrial High School. 2.Deputy General Manager of Taijia Development and Construction Co., Ltd. 3.Consultant of Gao Hongyao Industrial Co., Ltd.	NO	NO	NO	NO	NO
Special Assistant	Lin, Yi-Zhen	Taiwan	Female	2022.11.08	0	0%	0	0%	0	0%	1.Master of Business Administration, Long Island University 2.Bachelor degree of Accounting, New York University 3.Vice General Manager of Better Life Group Co. Ltd 4.Senior Investment Manager, Wealth Management Division, Taishin Bank 5.Wealth Management Manager, Standard Chartered Bank	NO	NO	NO	NO	NO
Associates	Chen, Shih-Chang	Taiwan	Male	2018.03.01	11,028	0.01%	2,825	0%	0	0%	1.Graduated from Department of Agronomy, National Chiayi University	NO	NO	NO	NO	NO
Associates	Cheng, Shun-Fu	Taiwan	Male	2023.09.11	0	0%	0	%	0	%	1.Department of Finance at Chinese Culture University. 2.Financial Manager of Tekcore Co. Ltd,	1.Supervisor of Hwang Kang Machinery Co.Ltd. 3.Representative in Focus CNC Co. Ltd.	NO	NO	NO	NO
Audit Supervisor	Hsu, Chao-Ying	Taiwan	Female	2016.08.11	0	0%	0	0%	0	0%	1.Department Bank and Insurance, Overseas Chinese University 2.Accounting Program, Tunghai University 3.Supervisor of Hwang Kang Machinery Co.Ltd	1.Supervisor of Fulson Industrial Co. Ltd. 2.Director of Hwang Kang Machinery Co.Ltd.	NO	NO	NO	NO

3.3.Remuneration paid to Director, General Manager and Deputy General Manager

3.3.1.Remuneration to Ordinary Directors and Independent Directors (Individual Disclosure of Names and Remuneration Items)

Unit: NT$ Thousands

Job Title / Name	Remuneration to directors: Base Remuneration (A)		Retirement pay and pension (B)		Director profit-sharing remuneration (C)		Expenses and perquisites (D)		Sum of A+B+C+D and ratio to net income (%)		Remuneration received by directors for concurrent service as an employee: Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)				Sum of A+B+C+D+E+F+G and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company: Amount in Cash	The company: Amount in Stock	All consolidated entities: Amount in Cash	All consolidated entities: Amount in Stock	The company	All consolidated entities	
Chairman: Lin,Tsung-Lin	240	240	0	0	0	0	36	36	276 0.24	276 0.24	0	0	0	0	0	0	0	0	276 0.24	276 0.24	NO
Director : Tung,Shang-Yu	240	240	0	0	0	0	36	36	276 0.24	276 0.24	0	0	0	0	0	0	0	0	276 0.24	276 0.24	NO
Director： Lin,Yi-Zhen	240	240	0	0	0	0	36	36	276 0.24	276 0.24	1,500	1,500	90	90	0	0	0	0	1,866 1.61	1,866 1.61	NO
Director： Zhang,Yu-Xin	240	240	0	0	0	0	24	24	264 0.23	264 0.23	0	0	0	0	0	0	0	0	264 0.23	264 0.23	NO
Independent Director： Wu,Zhi-Chi	456	456	0	0	0	0	36	36	492 0.43	492 0.43	0	0	0	0	0	0	0	0	492 0.43	492 0.43	NO
Independent Director： Gong,Xin-Jie	456	456	0	0	0	0	30	30	486 0.42	486 0.42	0	0	0	0	0	0	0	0	486 0.42	486 0.42	NO
Independent Director： Chen,Li-Yun	456	456	0	0	0	0	36	36	492 0.43	492 0.43	0	0	0	0	0	0	0	0	492 0.43	492 0.43	NO

1.The compensation policy for the company's independent directors is implemented according to Article 24-1 of the company's articles of incorporation. This provision authorizes the board of directors to set their remuneration based on the extent of their participation in and contribution to the company's operations, while also considering the customary standards in the industry.

2. Except as disclosed in the above chart, remuneration to directors received due to the services provided to all companies listed in the financial statements (such as acting as advisors of parent companies/all companies /investees listed in the financial statements who are not an employee thereof) in the most recent year: 0

Remuneration Range Table:

Ranges of remuneration paid to each of the Company's directors	Name of Directors: Sum of (A+B+C+D): The company	Sum of (A+B+C+D): All consolidated entities	Sum of (A+B+C+D+E+F+G): The company	Sum of (A+B+C+D+E+F+G): All consolidated entities
Less than NT$ 1,000,000	Lin,Tsung-Lin, Tung,Shang-Yu, Lin,Yi-Zhen, Zhang,Yu-Xin, Wu, Zhi-Chi, Gong,Xin-Jie, Chen,Li-Yun	Lin,Tsung-Lin, Tung,Shang-Yu, Lin,Yi-Zhen, Zhang,Yu-Xin, Wu, Zhi-Chi, Gong,Xin-Jie, Chen,Li-Yun	Lin,Tsung-Lin, Tung,Shang-Yu, Zhang,Yu-Xin, Wu, Zhi-Chi, Gong,Xin-Jie, Chen,Li-Yun	Lin,Tsung-Lin, Tung,Shang-Yu, Zhang,Yu-Xin, Wu, Zhi-Chi, Gong,Xin-Jie, Chen,Li-Yun
NT$1,000,000 (incl.)～NT$2,000,000 (excl.)	NO	NO	Lin, Yi-Zhen	Lin, Yi-Zhen
NT$2,000,000 (NT$3,500,000 (excl.)	NO	NO	NO	NO
NT$3,500,000 (NT$5,000,000 (excl.)	NO	NO	NO	NO
NT$5,000,000 (NT$10,000,000 (excl.)	NO	NO	NO	NO
NT$10,000,000 (NT$15,000,000 (excl.)	NO	NO	NO	NO
NT$15,000,000 (NT$30,000,000 (excl.)	NO	NO	NO	NO
NT$30,000,000 (NT$50,000,000 (excl.)	NO	NO	NO	NO
NT$50,000,000 (NT$100,000,000 (excl.)	NO	NO	NO	NO
NT$100,000,000 or above	NO	NO	NO	NO
Total	7	7	7	7

***The remuneration disclosed in this table is different from the income concept under the Income Tax Act. Therefore, the purpose of this table is for information disclosure only and not for tax purposes**

3.3.2.Remuneration to General Manager(s) and Assistant General Manager(s) (Individual Disclosure of Names and Remuneration Items)

Unit: NT$ Thousands

Job Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing remuneration (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note)
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Chairman	Lin,Tsung-Lin	0	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
Vice Chairman and CEO	Tung,Shang-Yu	0	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
Deputy General Manager	Pei,Yu-Wen	1,493	1,493	90	90	0	0	0	0	0	0	1,583 1.37	1,583 1.37	None
Deputy General Manager	Zhang,Ming-Lun	1,306	1,306	78	78	51	51	0	0	0	0	1,435 1.24	1,435 1.24	None
Deputy General Manager	Chen,Shi-En	1,554	1,554	93	93	0	0	0	0	0	0	1,647 1.42	1,647 1.42	None
Deputy General Manager	Zhang,Zhe-Hua	1,357	1,357	81	81	240	240	0	0	0	0	1,678 1.45	1,678 1.45	None
Deputy General Manager(Note)	Feng,Chun-Chao	945	945	57	57	0	0	0	0	0	0	1,002 0.87	1,002 0.87	None

Note:Date of assumption of duty is June 01, 2023

Remuneration Range Table:

Ranges of remuneration paid to each of the Company's directors	Name of Directors	
	Sum of (A+B+C+D)	Companies in the consolidated financial statements
Less than NT$ 1,000,000	Lin,Tsung-Lin, Tung,Shang-Yu,	Lin,Tsung-Lin, Tung,Shang-Yu,
NT$1,000,000 (incl.)～NT$2,000,000 (excl.)	Pei,Yu-Wen, Chang,Ming-lun, Chen,Shih-en, Chang,Zhe-hua Feng,Chun-Chao	Pei,Yu-Wen, Chang,Ming-lun, Chen,Shih-en, Chang,Zhe-hua Feng,Chun-Chao
NT$2,000,000 (NT$3,500,000 (excl.)	None	None
NT$3,500,000 (NT$5,000,000 (excl.)	None	None
NT$5,000,000 (NT$10,000,000 (excl.)	None	None
NT$10,000,000 (NT$15,000,000 (excl.)	None	None
NT$15,000,000 (NT$30,000,000 (excl.)	None	None
NT$30,000,000 (NT$50,000,000 (excl.)	None	None
NT$50,000,000 (NT$100,000,000 (excl.)	None	None
NT$100,000,000 or above	None	None
Total	7	7

***The remuneration disclosed in this table is different from the income concept under the Income Tax Act. Therefore, the purpose of this table is for information disclosure only and not for tax purposes**

3.3.3. Remuneration of the top five highest-paid managerial officers in a TWSE/TPEx-listed company

Unit: NT$ Thousands

Job Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing remuneration (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note)
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Vice Chairman and CEO	Tung,Shang-Yu	0	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
Deputy General Manager	Pei,Yu-Wen	1,493	1,493	90	90	0	0	0	0	0	0	1,583 1.37	1,583 1.37	None
Deputy General Manager	Zhang,Ming-Lun	1,306	1,306	78	78	51	51	0	0	0	0	1,435 1.24	1,435 1.24	None
Deputy General Manager	Chen,Shi-En	1,554	1,554	93	93	0	0	0	0	0	0	1,647 1.42	1,647 1.42	None
Deputy General Manager	Zhang,Zhe-Hua	1,357	1,357	81	81	240	240	0	0	0	0	1,678 1.45	1,678 1.45	None
Deputy General Manager	Feng,Chun-Chao	945	945	57	57	0	0	0	0	0	0	1,002 0.87	1,002 0.87	None

***The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.**

3.3.4. Names and Distributions of Employee Profit-Sharing Remuneration to Managerial Officers: The board of directors 2023 has not yet decided on the employee compensation before the annual report's printing date.

3.3.5. Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

Unit: NT$ thousands/%

Job Title	2023				2022			
	Total Remuneration		Ratio of Total Remuneration to Net Profit after Tax(%)		Total Remuneration		Ratio of Total Remuneration to Net Profit after Tax(%)	
	The company	All consolidated entities statements	The company	All consolidated entities statements	The company	All consolidated entities statements	The company	All consolidated entities statements
Directors	4,152	4,152	3.59	3.59	8,043	8,043	(34.98)	(34.98)
General Manager and Vice General Manager	7,345	7,345	6.35	6.35	4,254	4,254	(18.50)	(18.50)

※Due to an after-tax net loss of NTD 22.995 billion in the year 2022, it is proposed that no dividends be distributed to shareholders.
※The net profit after taxes in 2023 was NTD115,652 ,The distribution of director and employee remunerations had not been decided by the board of directors before the printing date of the annual report.

I. The Company's policy for remunerating its directors is formulated based on the Company Act and the Company's Articles of Incorporation. The remuneration of directors for the current year shall be limited to an amount not exceeding 5% of the current year's earnings and shall be paid in accordance with the Rules Governing the Compensation of Directors and Functional Members of the Company. The Company's operating strategy, profitability, future development and industry condition, as well as their participation in and contribution to the Company's operation, have also been taken into account in order to give them reasonable remuneration. The Compensation Committee then submits a proposal for such remuneration,which is passed at a board meeting before the policy takes effect.

II. The remuneration policy for the presidents, vice presidents and equivalent officers is based on the Company's Regulations for the Evaluation of Managerial Performance and Compensation, taking into account the Company's business strategy, profitability, performance and their contribution to the Company and other factors, and by reference to the market compensation levels. The Compensation Committee then submits a proposal for such remuneration, which is passed at a board meeting before the policy takes effect.

The said principles may be adjusted based on economic conditions, the Company's future development, and profitability and operating risks.

3.4.Status of Implementation of Cooperate Governance

3.4.1.Operation of the Board of Directors

The board of directors held 5 meetings in the year 2023, with the attendance as follows: The overall average attendance rate was 94%.

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate(%)	Remarks
Chairma	Lin,Tsung-Lin	5	0	100%	None
Vice Chairman	Tung,Shang-Yu	5	0	100%	None
Director	Lin,Yi-Zhen	5	0	100%	None
Director	Zhang,Yu-Xin	3	2	60%	None
Independent Director	Wu,Zhi-Chi	5	0	100%	None
Independent Director	Gong,Xin-Jie	5	0	100%	None
Independent Director	Chen,Li-Yun	5	0	100%	None

Other information required to be disclosed:

I.If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

A.Any matters under Article 14-3 of the Securities and Exchange Act.

Date: 2023/12/31

Board of Directors	Proposal and Resolutions	Opinions from Independent Director	Handling of Independent Director Opinions by the Company	Recording or State in writing on an objections or expressed reservation by Independent Director
9th session, 4th meeting 2023/01/17	Proposal: Discussion and Resolution regarding the proposal to apply for a five-year medium-to-long term credit from Bank of Panshin. Resolution: Passed as proposed	None	None	None
	Proposal: Proposal to approve the budgeted allocation ratios for director and employee remuneration for the year 2023. Resolution: Passed as proposed	None	None	None
	Proposal: Resolution for the distribution of the annual bonus for the management personnel of the company for the year 2022. Resolution: Passed as proposed Recusal: Tung,Shang-Yu, Lin,Yi-Zhen	None	None	None
9th session, 5th meeting 2023/03/21	Proposal: Discussion requested regarding the proposal for approval of the 2022 Annual Report and Financial Statements of the Company for the year ended December 31, 2022. Resolution: Passed as proposed	None	None	None
	Proposal: Discussion requested regarding the proposal to approve the allocation of losses for the fiscal year 2022. Resolution: Passed as proposed	None	None	None
	Proposal: Discussion requested regarding the proposal to establish the process and general policy for obtaining the prior consent of Ernst & Young Accounting Firm and its affiliated enterprises for non-audit services, submitted for resolution. Resolution: Passed as proposed	None	None	None
	Proposal: Discussion requested regarding the resolution on the Assessment Report of the Independence and Competence of the Accountant. Resolution: Passed as proposed	None	None	None
	Proposal: Discussion requested regarding the proposal for the internal control system statement of the Company for year 2022. Resolution: Passed as proposed	None	None	None
	Proposal: Discussion and resolution regarding the company proposes to reapply for a five-year joint credit plan. Resolution: Passed as proposed	None	None	None
	Proposal: Discussion and resolution regarding the proposal to adjust the organizational structure of the	None	None	None

Board of Directors	Proposal and Resolutions	Opinions from Independent Director	Handling of Independent Director Opinions by the Company	Recording or State in writing on an objections or expressed reservation by Independent Director
	company, and seek resolution. Resolution: Passed as proposed			
	Proposal: Resolution and revising the "Articles of Incorporation" and changing the business registration address of the Company. Resolution: Passed as proposed	None	None	None
	Proposal: Discussion and resolution regarding the proposal to revise the "Shareholders' Meeting Rules" of the Company. Resolution: Passed as proposed	None	None	None
	Proposal: Proposal to set the Proposal for the 2023 Annual Shareholders' Meeting and to address matters related to accepting proposals from shareholders. Resolution: Passed as proposed	None	None	None
9th session, 6th meeting 2023/05/02	Proposal:Revision of selected articles in the "Internal Control System and Related Procedures". Resolution: Passed as proposed	None	None	None
	Proposal:The company's case for renewing endorsement and guarantee agreements. Resolution: Passed as proposed	None	None	None
	Proposal:The case involving credit agreements between the company and financial institutions. Resolution: Passed as proposed	None	None	None
	Proposal: Proposed plan for issuing private common shares. Resolution: Passed as proposed	None	None	None
	Proposal:Addition of items to the agenda for 2023 annual shareholders' meeting. Resolution: Passed as proposed	None	None	None
9th session, 7th meeting 2023/08/09	Proposal:Case concerning the auditor's fees for 2023. Resolution: Passed as proposed	None	None	None
	Proposal:Proposal to apply for mid-to-long-term financing from financial institutions. Resolution: Passed as proposed	None	None	None
9th session, 8th meeting 2023/11/09	Proposal:Proposal for a cash capital increase of 50 million New Taiwan Dollars for the subsidiary, Lin Yu International Industrial CO., LTD., increasing the paid-in capital to 150 million New Taiwan Dollars. Resolution: Passed as proposed	None	None	None
	Proposal:The company’s initial private common stock offering, including pricing, identification of private investors, and issuance details. Resolution: Passed as proposed	None	None	None
	Proposal:Proposal to apply for mid-to-long-term financing from financial institutions (repeated). Resolution: Passed as proposed	None	None	None
	Proposal:Development of the internal audit plan for 2024. Resolution: Passed as proposed	None	None	None
	Proposal:Amendment to the "Internal Control System - Investment Cycle Decision-Making Authority Table". Resolution: Passed as proposed	None	None	None
	Proposal:Proposal to change the stock affairs agent. Resolution: Passed as proposed	None	None	None
	Proposal:Re-establishment of the "Salary and Compensation Remuneration Committee Organization Regulations". Resolution: Passed as proposed	None	None	None

B.In addition to the matters referred to above, any dissenting or qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution.

II.Status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest

Date:2023/12/31

ITEM	Date and session	Name of Director	Content of the motion	Cause for Recusal	Voting Participation
1	9th session, 4th meeting 2023/01/17	Tung, Shang-Yu Lin Yi-zhen	Resolution for the distribution of the annual bonus for the management personnel of the company for the year 2022.	Concurrently as Manager	Abstained from discussion and voting

III.Implementation of Evaluations of the Board of Directors

Evaluation Cycle	Evaluation Period	Scope of evaluation	Method of evaluation	Evaluation Content
Once a year	2023/01/01~ 2023/12/31	Board of Director	Assessment of Corporate Governance Manager	1. Enhance the degree of involvement in the company's operations. 2. Improve the quality of board decisions. 3. Review and optimize the composition and structure of the board of directors. 4. Enhance the process of director selection and ongoing education. 5. Strengthen the internal controls.
Once a year	2023/01/01~ 2022/12/31	The Remuneration and Audit Committee	Evaluation of the Chairperson	1. Enhance involvement in the company's operations 2. Recognize the responsibilities of functional committees 3. Improve the quality of functional committee decisions 4. Review the composition and member selection of functional committees 5. Strengthen the internal controls.
Once a year	2023/01/01~ 2023/12/31	Individual Director	Performance evaluation of board members (self or peer)	1. Grasp of the company's goals and mission 2. Understanding of the duties and responsibilities of a director 3. Involvement in the company's operations 4. Management and communication of internal relationships 5. Professionalism and ongoing education of directors 6. Strengthen the internal controls.

IV.Evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.)

(1) The Establishment of Corporate Governance Regulations: Besides the powers and responsibilities of the Board of Directors as specified in the Company's Articles of Incorporation, the Company also has established various regulations to strengthen the operation of the Board of Directors and corporate governance, which is "Board of Directors Meeting Regulations," "Code of Ethics," "Board of Directors Performance Evaluation Procedures," "Internal Handling Procedures for Significant Information," "Employee Code of Conduct," "Management Procedures for Preventing Insider Trading," and "Management Procedures for Shareholders' Meeting Souvenirs and Deposits.And in the 2023, the "Articles of Incorporation," "Internal Control System and Related Procedures" sections were revised, and the "Rules of Procedure for Shareholders Meetings " and "Salary and Compensation Remuneration Committee Organization Regulations" were redefined, all of which were approved by both the Board of Directors and the Shareholders' Meeting.

(2) Board of Directors Performance Evaluation: To strengthen the efficiency of the Board of Directors' operation and implement corporate governance, the Company has established performance objectives and the Board of Directors Performance Evaluation Procedures, which apply to all members of the Board of Directors, functional committees, and individual directors. The procedures were established on March 24, 2020, in accordance with the Corporate Governance Best Practice Principles for Listed and OTC Companies. Each year, during December, each unit provides a questionnaire for Board members to complete. The completed questionnaire and related information concerning performance evaluation are provided to the Board of Directors for their reference.

A.The results of the Board of Directors Performance Evaluation in year 2023 as shown below:

(a)The overall self-evaluation score of the Board of Directors：4.86(out of 5)

(b)The overall self-evaluation score of the Board members：4.83(out of 5)

The Company conducted the annual internal Board of Directors Performance Evaluation for the entire Board of Directors, individual directors, and functional committees in accordance with the evaluation indicators and procedures set forth in the Board of Directors Performance Evaluation Procedures. The data was collected and evaluated through questionnaires, and the report was presented to the Board of Directors on March 11, 2024. The detailed content of the report has been disclosed on the Company's website.

(3) Ensure effective governance and enhance long-term shareholder value：Members of the functional committees follow the latest version of the "Board of Directors Performance Evaluation Procedures" established by the regulatory authorities, and conduct annual self-evaluations in December based on performance indicators to assess their effectiveness in leading the company's strategic direction and overseeing operational management.

(4) Actively participating in corporate governance:

In recent years, the company has been actively involved in enhancing corporate governance and transparency. In 2022, the company received a corporate governance evaluation result of 51%-65% (as of the date of printing, the results for 2023 have not yet been released). The company actively participates in corporate governance evaluations to improve its corporate governance capabilities.

(5) Strengthening the Functions and Decision-making Quality of the Board of Directors: In order to enhance the functions of the board of directors and improve decision-making quality, our company regularly convenes strategy meetings to update the directors on the financial and business status of the company, as well as the development and implementation of major business strategies and related plans. In addition, we also hold quarterly operational meetings, where management units report on operational matters to help the board of directors understand the business and improve decision-making effectiveness. During this process, the directors' professional knowledge and experience also provide valuable guidance to the management units.

(6) Enhancing Company Information Transparency: The company website and the Public Information Observation Station voluntarily disclose relevant information such as regulatory compliance and significant decisions made by the board of directors, to facilitate shareholders' understanding of the company's activities and enhance information transparency.

3.4.2.Operations of the Audit Committee

I.Scope of the Audit Committee mainly include:

(1) Develop or amend internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
(2) Evaluate the effectiveness of internal control systems.
(3) Develop or amend processing procedures related to asset acquisition or disposal, derivative trading, fund lending, endorsement or guarantees for others, in accordance with Article 36-1 of the Securities and Exchange Act.
(4) Handle matters related to directors' personal interests.
(5) Handle significant asset or derivative transactions.
(6) Handle significant fund lending, endorsement, or guarantee activities.
(7) Handle the issuance, public offering, or private placement of equity securities.
(8) Appoint, dismiss, or determine the remuneration of the certifying accountant.
(9) Determine the appointment or dismissal of financial, accounting, or internal audit supervisors.
(10) Review annual financial reports, business reports, and proposals for the distribution of profits or allocation of losses.
(11) Handle other significant matters as required by the company or regulatory authorities.

II.Annual Priorities of Audit Committee:

(1) Arranging meetings for the Audit Committee and communication meetings
(2) Handling matters related to Audit Committee meetings in compliance with the law (issuing meeting notices and recording meeting minutes)
(3) Tracking and implementing improvements requested by the Audit Committee
(4) Providing the necessary company information to assist independent directors in fully exercising their duties
(5) Conducting an annual self-evaluation of the Audit Committee
(6) Establishing and revising organizational regulations and related operating procedures
(7) Publicly disclosing and reporting matters related to the Audit Committee as required by law (organizational regulations, operational status)

III.The term of the 2nd Audit Committee was from October 21, 2022 to October 20, 2025, with 4 meetings held in 2023. The attendance by the committee member in 2023 was as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate(%)	Remarks
Convenor	Wu, Zhi-Chi	4	0	100	None
Member	Gong, Xin-Jie	4	0	100	None
Member	Chen, Li-Yun	4	0	100	None

Other information required to be disclosed:

I.If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

A.Any matters under Article 14-5 of the Securities and Exchange Act.

Date: 2023/12/31

Term of Audit Committee Date of Meeting	Term of Board of Directors Date of Meeting	Proposal and Resolutions	Contents of the objections, reservations, or significant proposals by the independent director	Handling of the company's response to the opinions of the audit committee.
2nd session 3nd meeting 2023/03/21	9th session 5th meeting 2023/03/21	Proposal: Discussion requested regarding the proposal for approval of the 2022 Annual Report and Financial Statements of the Company for the year ended December 31, 2022. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal: Discussion requested regarding the proposal to approve the allocation of losses for the fiscal year 2022. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal: Discussion requested regarding the proposal to establish the process and general policy for obtaining the prior consent of Ernst & Young Accounting Firm and its affiliated enterprises for non-audit services, submitted for resolution. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal: Discussion requested regarding the resolution on the Assessment Report of the Independence and Competence of the Accountant. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal: Discussion requested regarding the proposal for the internal control system statement of the Company for year 2022. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
2nd session 4nd meeting 2023/05/02	9th session 6th meeting 2023/05/02	Proposal:Revision of selected articles in the "Internal Control System and Related Procedures". Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:The company's case for renewing endorsement and guarantee agreements. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:The case involving credit agreements between the company and financial institutions. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:Proposed plan for issuing private common shares. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
2nd session 5nd meeting 2023/08/09	9th session 7th meeting 2023/08/09	Proposal:Case concerning the auditor's fees for 2023. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:Proposal to apply for mid-to-long-term financing from financial institutions. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
2nd session 6st meeting 2023/11/09	9th session 8nd meeting 2023/11/09	Proposal:Proposal for a cash capital increase of 50 million New Taiwan Dollars for the subsidiary, Lin Yu International Industrial CO., LTD., increasing the paid-in capital to 150 million New Taiwan Dollars. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:The company’s initial private common stock offering, including pricing, identification of private investors, and issuance details. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:Proposal to apply for mid-to-long-term financing from financial institutions (repeated). Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:Development of the internal audit plan for 2024. Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors
		Proposal:Amendment to the "Internal Control System - Investment Cycle Decision-Making Authority Table". Resolution: Passed as proposed	None	The resolution was approved unanimously by all attending directors

II.There is NO execution status of independent directors' abstention from voting on interested party transactions.

III.Communication between the independent directors and the internal audit supervisor and accountant regarding significant matters related to the company's financial and business status, including the methods and outcomes of such communication.

A.The communication policy between independent directors and the internal audit supervisor and accountant is as follows:

1.The policy of inviting the certified public accountant to attend the audit committee at least twice a year to report on the review or audit results of the financial statements of the company and its subsidiaries, as well as the results of internal control audits. The communication should be sufficient to discuss any significant adjustments or revisions related to legal amendments.

2.If necessary, communicate with the accountant through meetings as required.

3.The internal audit supervisor and independent directors should hold regular meetings at least once a quarter through the audit committee to report on the implementation of internal audits and the operation of internal controls. In the event of any significant abnormality, a meeting may be convened at any time.

B.Summary of communication between the independent directors' board and the accountant in 2023:

The communication between the independent directors and the accountants of our company is good.

Date	Key Audit Matters	Opinion from Independent Director	Execution results handling
2023/03/21 Audit Committee	1.Presentation of audit results of the financial reports for 2022. 2.Discussion on the process and general policy for prior approval of non-assurance services provided by the certified public accountant firm and its related entities. 3.Discussion on the assessment of the independence and suitability of the certified public accountants.	None	Have been approved by the audit committee and were discussed in the 9th 5th board of directors meeting on March 21th, 2023.
2023/08/09 Audit Committee	1.Presentation of the review results of the financial reports for the second quarter of 2023. 2.Discussion on public fees for the certified public accountants for 2023.	None	Have been approved by the audit committee and were discussed in the 9th 7th board of directors meeting on August 9th, 2023.

C.Summary of Communication between Independent Directors and Internal Audit Officers in year 2023:

Date	Key Audit Matters	Opinion from Independent Director	Execution results handling
2023/03/21 Audit Committee	1.Presentation of execution results of the audit operations for the fourth quarter of 2022. 2.Discussion on internal control statement for 2022.	None	1.Reviewed and approved by the audit committee and submitted for report by the board of directors. 2.Reviewed and approved by the audit committee and submitted for discussion by the board of directors.
2023/05/02 Audit Committee	1.Presentation of execution results of the audit operations for the second quarter of 2023. 2.Discussion on internal control system and related operational provisions.	None	1.Reviewed and approved by the audit committee and submitted for report by the board of directors. 2.Reviewed and approved by the audit committee and submitted for discussion by the board of directors.
2023/08/09 Audit Committee	1.Presentation of execution results of the audit operations for the second quarter of 2023.	None	1.Reviewed and approved by the audit committee and submitted for report by the board of directors.
2023/11/09 Audit Committee	1.Presentation of execution results of the audit operations for the third quarter of 2023. 2.Formulate the internal audit plan for 2024. 3.Revise the "Internal Control System - Investment Cycle Authority Table.	None	1.Reviewed and approved by the audit committee and submitted for report by the board of directors. 2.Reviewed and approved by the audit committee and submitted for discussion by the board of directors. 3.Reviewed and approved by the audit committee and submitted for discussion by the board of directors.

3.4.3. Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary Description	
1.Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?		✓	Company has not yet formulated.	The company has not yet established its corporate governance best practices in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", and will do so in the future according to its business needs and legal regulations
2.Shareholding Structure and Shareholders' Rights				
(1)Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(1)The company has established a spokesperson and a deputy spokesperson as a means of handling shareholder suggestions, questions, and disputes. The company has also set up relevant contact information and a stakeholder complaint mailbox on its website and in its annual report, to receive various inquiries and suggestions.	(1)None
(2)Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		(2)The Company periodically discloses the list of ultimate controllers of its principal shareholders pursuant to the laws and regulations.	(2)None
(3)Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		(3)1.The company has developed and passed through the board of directors the "Supervision and Management Procedure for Subsidiaries." 2.All related parties of the company are direct or indirect subsidiaries holding more than 50% of the company's shares. Business dealings between the company and its related parties are treated as transactions with independent third parties. 3.The company has implemented strict operational procedures for managing fund lending, endorsement guarantees, transactions, and derivative transactions with its related parties.	(3)None
(4)Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		(4)To establish a sound internal mechanism for processing and disclosing significant information, prevent improper leakage of information, and ensure the consistency and accuracy of information released to the outside world, as well as to prevent insider trading, the company has developed the "Internal Procedures for Handling Significant Information" and the "Management Procedures for Preventing Insider Trading," which have been distributed to the directors and made available on the company's internal electronic bulletin board for managers and all employees to refer to at any time. In addition, the company revised the "Code of Ethics" on November 9, 2020, requiring all relevant parties to comply with the company's internal regulations and the provisions of the Securities Exchange Act regarding the prohibition of insider trading. All of the aforementioned documents are posted on the company's internal electronic bulletin board for relevant personnel to consult at any time.	(4)None
3.Composition and Responbilities of the board of directors				
(1)Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	✓		(1)Company is dedicated to achieving diversity in the backgrounds of board members, including their professional expertise, experience, gender, and independence. Company will continue to invite suitable candidates to join the board to strengthen its balance in response to the company's development strategy and changes in the internal and external environment. The board members come from different fields and work backgrounds, including the management team, industry managers, and professionals with financial, business, and accounting backgrounds. They effectively fulfill their responsibilities as board members, including establishing and maintaining the company's vision and values, promoting corporate governance, and supervising and evaluating the management's policies and operational plans. Moreover, they are responsible for the company's overall performance in the economy, society, and environment, taking the perspective of stakeholders to enhance corporate governance and enterprise value. Board of directors is composed of 7 members, including 3 independent directors (43% of the total). Independent directors are limited to serving no more than three consecutive terms. Also, one of the director over 65 years old, 3 directors aged between 51 and 60, and 3 directors under 50 years old. To promote gender equality and improve women's participation in decision-making and the soundness of the board structure, company have 2 female directors (29% of the total). Our company is dedicated to building a strong presence in the fields of machine tools, real estate, and property, aspiring to become a model of business excellence. Examining the list of our board members, Chairman Lin, Tsung-Lin has extensive experience in the company's business domains, grasping the intricacies of industry operations and development. His leadership style is open, and he is receptive to diverse perspectives.Directors Tung, Shang-Yu and Lin, Yi-Zhen have joined our management team, bringing a deep understanding of our organization and business operations. They excel in operational	(1)None

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary Description	
			management, investment judgment, and possess a keen understanding of the international market. Among our female members, Director Zhang, Yu-Xin specializes in operational management and human resources. Our independent directors also bring valuable expertise to the table. Independent Director Chen, Li-Yun is well-acquainted with the general industrial landscape and economic development trends. Independent Director Gong, Xin-Jie possesses expertise in law, corporate management, and relevant experience. Independent Director Wu, Zhi-Chi combines financial, accounting, auditing, and information technology expertise. The Company attaches importance to the diversity of the composition of the Board of Directors. The target of more than 29% of directorships being held by women is currently 15%; therefore, the implementation thereof exceeds the target. The elite directors of the Company were selected from the industry to participate in major investment projects related to the Company's business, assist the Company's financial, accounting and corporate governance businesses according to their expertise, and assist the Company in making favorable decisions through their diverse experience, which gives rise to extensive and professional advice. Diversification of the Board of Directors' members has been implemented as shown in Note 1.	
(2)Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	✓		(2)Company has established a remuneration committee and an audit committee, and has formulated the "Organization Regulations of the Remuneration Committee" and the "Rules of Procedure of the Audit Committee". The importance of other types of functional committees will be evaluated in the future, and relevant policies will be formulated for their implementation.	(2)Established according to the needs of the company's future development and legal requirements.
(3)Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	✓		(3)company has established the "Board of Directors Performance Evaluation Rules," which stipulates that the board of directors should conduct at least one performance evaluation per year through a self-evaluation questionnaire to enhance corporate governance. The performance evaluation is carried out at the end of each year to measure the effectiveness of the board's leadership and supervision of the company's operations and management, with the aim of providing feedback on the board's performance and increasing long-term shareholder value. In 2023, the company conducted an internal evaluation and reported the results to the board of directors on March 11, 2024. The evaluation report has been disclosed on the company's website.	(3)None
(4)Does the Company regularly evaluate its external auditors' independence?	✓		(4)The company conducts an annual evaluation of the independence of its auditors as required by regulations. The auditors are asked to provide an "independence statement" and are checked for any relationships with the company's directors, supervisors, or executives, ensuring that they are not related parties. The company then uses its own auditor evaluation form to assess the auditors' independence in 6 areas: self-interest, self-evaluation, advocacy, familiarity, coercion, and audit quality indicators. The evaluation results are submitted to the board of directors for review. The auditor independence evaluation items are detailed in Note 2.	(4)None.
4.Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance best practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		1.At the board meeting held on May 7, 2021, company passed a resolution to establish the position of corporate governance officer. This position is responsible for handling matters related to board of directors and shareholder meetings in accordance with the law, preparing minutes of board of directors and shareholder meetings, assisting directors in their appointment and continuing education, providing necessary information for directors to carry out their duties, assisting directors in complying with laws and regulations, and other matters as stipulated in the company's articles of incorporation or contracts. 2.The current corporate governance officer of the company is Vice President Chen Shih-En, who meets the statutory qualification requirements for a corporate governance officer and has over three years of experience serving as a financial officer in publicly traded companies. 3.The performance of the corporate governance officer in the year 2023 is as follows: (1)Board Performance Evaluation: The performance evaluation of the board of directors for the year 2023 has been completed in order to implement corporate governance and was submitted to the board of directors on March 11, 2024. (2)In response to regulatory revisions by the supervisory authorities, the company amended and passed revisions to the Company Articles and Internal Control System and Related Operations in the 2023; and redefined the Shareholders' Meeting Rules and the Salary and Compensation Committee Organization Regulations. (3)Corporate governance evaluation: The Company's ranking range in the 9th session of the 2022 corporate governance evaluation was between 51-65%. (4)Integrity management: All employees received integrity management year-end education and training in January 2023. (5)Communication with Investor：Shareholder's meeting was held on June 21, 2023, meeting notices, Proposals, and meeting minutes are prepared within the statutory deadline. Moreover, the Company held 5 board meetings in the year 2023, provided meeting materials and produced meeting minutes after each meeting. The Company promptly disclosed and announced significant information and decisions made by the board of directors. Overall, the Company has been transparent	None.

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary Description	
			and diligent in keeping its investors informed. (7)Assist independent directors, general directors, and corporate governance executives in developing annual training plans and arranging relevant courses. As of December 2023, all directors have completed their training courses, and the corporate governance executive has also fulfilled the required hours of training as of June 2023. Company optimize the training plans continuously to ensure that the directors and corporate governance executives are up-to-date with their professional knowledge and skills. (8)Reporting system implementation: Company have established a "Code of Ethics and Confidentiality Agreement" that includes an independent reporting system such as a reporting mailbox or hotline. However, as of 2023, we have not received any reports or complaints.	
5.Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	✓		The company has established effective communication channels with various stakeholders, such as customers, shareholders, partner banks, employees, suppliers, community, regulatory bodies, and others related to the company's interests. Additionally, the company website and annual report have a contact windows to address corporate social responsibility issues that stakeholders may be concerned about, and the company responds to these concerns after understanding them. The Company has a contact channel on its website designated to stakeholders; a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions and file complaints to the Company. Information received shall be handled by the Auditing Office.	None.
6.Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		Company appoints the Capital Securities Corp Registrar Agency Dept. to handle shareholder meeting affairs.	None.
7.Information Disclosure				
(1)Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		(1)The company website has an investor relations section to disclose relevant public information and can also be accessed for this purpose. https://www.chevaliertw.com/zh-tw/investor-area/investor-2	(1)None.
(2)Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		(2)Please visit Falcon Corporation's Chinese/English website: https://www.chevaliertw.com	(2)The establishment of an English website will depend on the company's development needs and legal requirements in the future.
(3)Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		✓	(3)The company aims to provide investors with timely and accurate financial information. The annual financial report is submitted for approval by the Audit Committee and the Board of Directors within two months after the end of the fiscal year, and is announced on the same day of approval in Market Observation Post System (MOPS). The first, second, and third quarterly financial reports are also submitted for approval by Audit Committee and the Board of Directors, and are announced on the same day of approval in MOPS before the legal deadline. The monthly operating status of the company is also fully disclosed on the MOPS before the legal deadline.	(3)Depend on the company's development needs and legal requirements
8.Has the Company disclosed other information to facilitate a better understanding of its corporate governance best practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		(1) Employee rights: The company upholds the principles of integrity and social responsibility, while ensuring that the legal rights of employees are protected in compliance with labor laws. (2) Employee care: To promote employee satisfaction and engagement, the company offers a safety office, employee welfare committee, and labor-management committee, along with a range of education and training programs and welfare systems, aimed at building trust and mutual benefits. (3) Investor relations: The company has honored the stock agency department of China Trust Commercial Bank, as well as a dedicated shareholder services officer within the company, to handle any issues that may arise between the company and its shareholders. (4) Supplier Relationships: The company prioritizes the principles of equality and mutual benefit in its relationships with suppliers, fostering strong and collaborative partnerships. (5) Stakeholder Rights: The company has developed a "Code of Ethics" to regulate its stakeholders in accordance with the law. All stakeholders of the company uphold a strong sense of self-discipline and are able to recuse themselves from any conflicts of interest to ensure sound corporate governance. Stakeholders are entitled to communicate with the company and provide suggestions to protect their legitimate interests. (6) Continuing Education for Directors: The company periodically informs its directors of professional development courses organized by relevant organizations. In year 2023, the company's directors participated in professional development courses as shown in Table 1. Additionally, the directors regularly attend board meetings and provide valuable advice and guidance to the board. (7) Risk Management Policy and Standards Execution: The company has put in place several internal protocols and procedures, mandated by law, to evaluate and control relevant risks.	None.

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary Description	
			(8) Execution of Customer Policies: The company has established a specialized customer service department to handle after-sales services and complaints. Furthermore, products are insured to safeguard the rights and interests of both purchasers and vendors. (9) To protect the directors' liabilities：Company has purchased a liability insurance policy from the Taiwan branch of American International Group, CHUBB on April 15, 2024. The policy covers a sum insured of USD 5 million and is valid for one year until April 15, 2025. (10) Managers of the company participated in training and development programs: In the year 2023, the managers of the company participated in training and development programs related to corporate governance and other relevant areas. The details of their participation are provided in Table 2.	
9.Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed.)		✓	Please refer to the following table (Table 3) for details.	

Note 1: Diversification of the Board of Directors' members has been implemented as follows.

Title		Chairman	Vice Chairman	Director	Director	Independent Director	Independent Director	Independent Director
Name		Lin, Tsung-Lin	Tung, Shang-Yu	Lin, Yi-Zhen	Zhang, Yu-Xin	Wu, Zhi-Chi	Gong, Xin-Jie	Chen, Li-Yun
Gender		Male	Male	Female	Female	Male	Male	Male
Specialization	Management	V	V	V	V	V	V	V
	Leadership in Decision-making	V	V	V	V	V	V	V
	Industry Knowledge	V	V			V	V	V
	Finance and Law			V		V	V	V
	Crisis Management	V	V	V	V	V	V	V
	Marketing and Sales	V	V	V	V	V	V	V
	Procurement	V	V	V	V			
	International Trade	V	V	V	V	V		V
	IT	V				V	V	
	Green Energy and Environmental Protection	V				V	V	V

Note 2:Independent auditor's evaluation items.

Evaluation Item		Does it comply with independence
Self Interest	1.Direct or significant indirect financial relationship with the company	Yes
	2.Financing or guarantee transactions with the company or its directors and supervisors	Yes
	3.Assessment of the possibility of customer attrition	Yes
	4.Close business connection with company	Yes
	5.Potential Employment Relationship with company	Yes
	6.Related to audit cases or involve public expenses	Yes
Self-Evaluation	1.Members of the audit committee who have served as directors, officers or employees of the company, or held significant positions that could affect the audit cases, either currently or within the past two years	Yes
	2.The non-audit services provided to the Company will directly impact significant areas of the audit engagement	Yes
	3.Not obtained independent statements from accountants on a regular basis	Yes
Defense	1.Promoting or brokering the stocks or other securities issued by the Company	Yes
	2. Acting as a defense counsel for the Company or representing the Company to resolve conflicts with third parties	Yes
Familiarity	There is a familial relationship with individuals who hold positions as directors, supervisors, managers, or those who have a significant impact on the audit engagement with the Company	Yes
	A former co-auditor who has resigned within one year has taken a significant position as a director, supervisor, executive, or in a role that significantly affects the audit engagement of the Company	Yes
	Accepting significant gifts or presents from the Company, its directors, or employment	Yes
	Serving as an auditor for 7 consecutive years.	Yes
Coercion	Requesting the accountant to accept inappropriate choices in accounting policies or improper disclosures in financial statements made by management.	Yes
	To reduce fees, pressuring the accountant to improperly reduce necessary audit procedures.	Yes
Audit Quantity Indicators	First dimension: Professionalism	Yes
	Second dimension: Quality Checking	Yes
	Third dimension：Independence	Yes
	Fourth dimension：Supervision	Yes
	Fifth dimension： Innovative Capability	Yes

Table 1:Directors' Continuing Education in 2022

Title	Name	Study period		Sponsoring Organization	Course	Training Hours
		From	To			
Director	Lin, Tsung-Lin	2023/12/20	2023/12/20	Accounting Research and Development Foundation	Common Deficiencies in Financial Statement Review and Practical Analysis of Key Internal Control Regulations	6.0
Director	Tung, Shang-Yu	2023/12/27	2023/12/27	Accounting Research and Development Foundation	The Latest 'Sustainable Development Action Plan' and Practical Analysis of Net Zero Carbon Emissions' Impact on Financial Statements	6.0
Director	Lin, Yi-Zhen	2023/07/21	2023/07/21	Securities & Futures Institute	Analysis of Common Violations in Securities Trading Law Cases	3.0
		2023/08/10	2023/08/10		Introduction to Adjudicating Disputes over Corporate Management Rights and Commercial Events under Business Case Law	3.0
Director	Zhang, Yu-Xin	2023/12/05	2023/12/05	Securities & Futures Institute	Overview and Case Analysis of Short-Term Trading by Insiders within a Company	3.0
		2023/12/06	2023/12/06		Shareholder Meetings, Management Rights, and Equity Strategies	3.0
Independent Director	Wu, Zhi-Chi	2023/03/21	2023/03/21	CPA Associations R.O.C(Taiwan)	Accountants and Anti-Money Laundering Supervision	3.0
		2023/09/04	2023/09/04		Accounting Procedures in the Face of Climate Change	3.0
		2023/10/13	2023/10/13	Securities & Futures Institute	2023 Insider Trading Prevention Advocacy Seminar	3.0
Independent Director	Gong, Xin-Jie	2023/07/21	2023/07/21	Taiwan Corporate Governance Association	How Startups Conduct Equity Planning and Organizational Structure Design	3.0
		2023/09/15	2023/09/15		How are board meetings conducted? Common deficiencies in operational procedures of board meetings in listed companies	3.0
Independent Director	Chen, Li-Yun	2023/08/30	2023/08/30	Taiwan Corporate Governance Association	Driving Sustainable Development through Risk Management	6.0

Table 2:Participation of Company Managers in Governance-Related Education and Training in 2023:

Title	Name	Course	Study period	Sponsoring Organization	Training Hours
General Manager	Tung, Shang-Yu	The Latest 'Sustainable Development Action Plan' and Practical Analysis of Net Zero Carbon Emissions' Impact on Financial Statements	2023/12/27	Accounting Research and Development Foundation	6.0
Financial and Accounting Executive and Deputy General Manager	Pei, Yu-Wen	Issuer, Securities Broker, Securities Exchange, and Accounting Supervisor Initial Training Professional Development Course	2023/03/16 ~ 2023/03/24	Securities & Futures Institute	30.0
Corporate Governance Executive and Deputy General Manager	Chen, Shih-en	The Practical Adaptation of Board Members to the Information Technology Wave	2023/04/28	Taiwan Corporate Governance Association	3.0
		Trends in ESG and Tax Reform in Global and Taiwanese Contexts Amid the Pandemic Environment	2023/05/12	Accounting Research and Development Foundation	3.0
		Security Governance Concepts and Practical Application	2023/05/23	Accounting Research and Development Foundation	3.0
		Exploring Practical Aspects of Business Litigation and Dispute Resolution	2026/06/02	Taiwan Corporate Governance Association	3.0

Table 3:Explanation of improved situations in the 10th Corporate Governance Evaluation (Year 2023), as well as priority areas and measures to be strengthened for those that have not yet improved.

Item	Indicator content	Improved or not	Explanation of Not Yet Improved
1.1	Does the company include in the shareholders' meeting report the remuneration received by directors, including the remuneration policy, individual remuneration content, and amount?	NO	There are currently insufficient internal and external resources
1.2	Does the company established written regulations for financial transactions between related parties, including management procedures for transactions such as purchases, sales, acquisitions, or disposals of assets, and are significant transactions subject to approval by the board of directors and consent or reporting to the shareholders' meeting?	NO	There are currently insufficient internal and external resources
1.6	Does the company convene the shareholders' meeting before the end of May?	NO	There are currently insufficient internal and external resources
1.15	Does the company established and disclosed on its website internal regulations prohibiting directors or employees from trading securities using undisclosed material information? The content includes (but is not limited to) prohibiting directors from trading their shares during a closed period of thirty days before the announcement of annual financial reports and fifteen days before the announcement of quarterly financial reports, and does it include an explanation of the enforcement status?	NO	There are currently insufficient internal and external resources
2.1	Does the company disclose its corporate governance guidelines?	NO	There are currently insufficient internal and external resources
2.11	Does the company's interim financial reports been approved by the audit committee and decided upon by the board of directors for discussion?	YES	Improvement expected by 2024
2.14	Does the company establish functional committees beyond statutory requirements, with no less than three members, a majority of whom are independent directors, and at least one member possessing the necessary expertise for the committee's responsibilities, and disclose their composition, duties, and operations?	NO	There are currently insufficient internal and external resources
2.22	Does the company establish risk management policies and procedures approved by the board of directors, disclosing the scope of risk management, organizational structure, and operational status, and reporting to the board at least once a year?	NO	There are currently insufficient internal and external resources
2.23	Does the company's board of directors' performance evaluation method been approved by the board, stipulating external evaluations at least once every three years, with evaluations conducted in the evaluated year or the preceding two years, and the evaluation process and results disclosed on the company's website or in the annual report?	NO	There are currently insufficient internal and external resources
2.27	Does the company formulate an intellectual property management plan linked to its operational objectives, disclosing implementation progress on the company's website or in the annual report, and reporting to the board at least once a year?	NO	There are currently insufficient internal and external resources
2.30	Does the company have at least one internal auditor holding qualifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), or Certified Public Accountant (CPA)?	NO	There are currently insufficient internal and external resources
3.4	Does the company publish its annual financial reports within two months after the end of the accounting year?	NO	There are currently insufficient internal and external resources
3.6	Does the company disclose its interim financial reports (including financial statements and notes) in English on its website or on the Market Observation Post System (MOPS)?	NO	There are currently insufficient internal and external resources
3.20	Does the company hold at least two corporate briefings (or self-convened briefings) in the evaluated year, with a gap of at least three months between the first and last briefings?	NO	There are currently insufficient internal and external resources
4.1	Does the company establish a dedicated position to promote corporate social responsibility (CSR), conducting risk assessments on environmental, social, or corporate governance issues related to its operations, formulating relevant risk management policies or strategies, and disclosing them on the company's website and in the annual report?	NO	There are currently insufficient internal and external resources
4.2	Does the company establish a dedicated position to promote integrity in business operations, responsible for formulating integrity operation policies and prevention plans, supervising their implementation, and explaining the operation and execution status of the unit on the company's website and in the annual report, reporting to the board at least once a year?	NO	There are currently insufficient internal and external resources
4.3	Does the company regularly disclose its specific ESG (Environmental, Social, and Governance) promotion plans and implementation effects on its website, annual report, or sustainability report?	NO	There are currently insufficient internal and external resources
4.4	Does the company compile and upload a sustainability report on its website and the Market Observation Post System (MOPS) by the end of September, according to the Global Reporting Initiative (GRI) standards?	NO	There are currently insufficient internal and external resources
4.5	Is the sustainability report prepared by the company subject to third-party verification?	NO	There are currently insufficient internal and external resources
4.7	Does the company upload an English version of the sustainability report on its website and the Market Observation Post System (MOPS)?	NO	There are currently insufficient internal and external resources
4.11	Has the company disclosed its annual greenhouse gas emissions, water usage, and total waste weight for the past 2 years?	YES	Revealed data from 2022 and 2023
4.12	Has the company formulated policies to reduce greenhouse gas emissions, decrease water usage, or manage other waste, including reduction targets, promotion measures, and achievement status?	YES	Relevant information has been revealed
4.13	Has the company obtained ISO 14001, ISO 50001, or similar environmental or energy management system certification?	NO	There are currently insufficient internal and external resources
4.15	Does the company's website or annual report disclose the integrity operation policy approved by the board of directors, detailing specific measures and prevention plans against dishonest behavior, and explaining the implementation status?	NO	There are currently insufficient internal and external resources
4.17	Does the company's website or CSR report disclose the supplier management policy it has formulated, requiring suppliers to comply with relevant regulations on environmental protection, occupational health and safety, or labor rights, and explaining the implementation status?	NO	There are currently insufficient internal and external resources
4.18	Does the company disclose governance information related to its climate-related risks and opportunities, strategies, risk management, indicators, and objectives in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)?	NO	There are currently insufficient internal and external resources
4.19	Has the company invested in energy-saving or green energy-related environmental sustainability machinery and equipment, or invested in Taiwan's green energy industry (such as renewable energy power plants), or issued or invested its funds in sustainable development financial products with tangible benefits for green or social projects, and disclosed its investment status and specific benefits?	NO	There are currently insufficient internal and external resources
4.21	Has the company evaluated the risks or opportunities to the community and taken corresponding measures, disclosing the specific measures taken and their effectiveness on the company's website, annual report, or sustainability report?	NO	There are currently insufficient internal and external resources
4.22	Has the company allocated resources to support domestic cultural development, and disclosed the support methods and results on its website, annual report, or sustainability report?	NO	There are currently insufficient internal and external resources

3.4.4.Composition, Responsibilities and Operations of the Remuneration Committee on November 09, 2023, the company established a "Remuneration Committee" and created the "Remuneration Committee Organization Regulations". The purpose of this committee is to assist the Board of Directors in formulating and regularly reviewing policies, systems, standards, and structures for evaluating the performance and remuneration of directors and executives. The committee also conducts regular evaluations and sets remuneration for directors and executives

I.Member of Remuneration Committee

Date: 2024/04/27

Job Title	Qualification / Name	Professional Qualifications and Experience	Independence Analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	Wu, Zhi-Chi	· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations. · Graduated from the Accounting Department of Shih Chien University and obtained CPA certification. · Serving as the Managing of Cometrue Consulting Limited、Independent Director of Global View Co. Ltd. and Independent Director of Cen Link Co. Ltd · None of the circumstances specified in Article 30 of the Company Act apply.	· Remuneration Committee member meets the independence criteria:。 · The independent director, their spouse, and second-degree relatives have not served as directors, supervisors, or employees of our company or other related enterprises; they do not hold shares of our company and do not serve as directors, supervisors, or employees of specific related companies. · The independent director has not provided any business, legal, financial, accounting or other services to our company or any of our related enterprises in the past two years.	2
Independent Director	Gong, Xin-Jie	· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations. · Graduated with a Master of Laws degree from the University of Minnesota Law School, and obtained a Bachelor of Laws degree from National Chengchi University. Also obtained a lawyer's certificate. · Currently servings as a lawyer at Global Network Commerce Legal, as well as an Independent Director of Ji-Haw Industrial Co., Ltd. · None of the circumstances specified in Article 30 of the Company Act apply.	· Remuneration Committee member meets the independence criteria:。 · The independent director, their spouse, and second-degree relatives have not served as directors, supervisors, or employees of our company or other related enterprises; they do not hold shares of our company and do not serve as directors, supervisors, or employees of specific related companies. · The independent director has not provided any business, legal, financial, accounting or other services to our company or any of our related enterprises in the past two years.	1
Independent Director	Chen,Li-Yun	· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations. · Graduated with a Ph.D. in economics from Xiamen University and an EMBA degree from National Chengchi University. · Former lecturer at the Listing and Business Department of the Taiwan Securities and Futures Bureau. · Current Independent Director of Sea Mild Biotech · None of the circumstances specified in Article 30 of the Company Act apply.	· Remuneration Committee member meets the independence criteria:。 · The independent director, their spouse, and second-degree relatives have not served as directors, supervisors, or employees of our company or other related enterprises; they do not hold shares of our company and do not serve as directors, supervisors, or employees of specific related companies. · The independent director has not provided any business, legal, financial, accounting or other services to our company or any of our related enterprises in the past two years.	1

II.Operations of the Remuneration Committee

The committee operates in accordance with the company's "Remuneration Committee Organization Regulations," which stipulate that at least two regular meetings must be held each year.

(1)The sixth of Remuneration Committee has a total of 3 members.

(2)The sixth audit committee's term runs from October 21, 2022 to October 20, 2025. In the year 2023, the sixth audit committee held 2 meeting, and the attendance of each committee member is as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Remarks
Convenor	Wu, Zhi-Chi	2	0	100	None
Member	Gong, Xin-Jie	2	0	100	
Member	Chen,Li-Yun	2	0	100	

The discussion topics and resolution results of the remuneration committee, as well as the company's handling of members' opinions.

Date: 2023/12/31

Remuneration Committee Term Date of meeting	Board of Directors Term Date of meeting	Proposal	Resolution
6^{th} Session 2^{st} meeting 2023/01/17	9^{th} Session 4^{th} meeting 2023/01/17	The distribution of year-end bonuses for managers and general employees in year 2022.	Remuneration Committee: All relevant proposals were approved by the attending committee members and submitted to the board of directors for resolution Board of Directors: Approved by all attending directors
		Resolution for the distribution of the annual bonus for the management personnel of the company for the year 2022.	
6^{th} Session 3^{nd} meeting 2023/11/09	9^{h} Session 8^{th} meeting 2023/11/09	Redefined the Salary and Compensation Committee Organization Regulations.	

Other information required to be disclosed:

The remuneration committee resolved with no objections or reservations from members and no records or written statements.

III.Scope of authority of the Remuneration Committee.

The committee shall exercise due care of a good administrator and faithfully perform the following duties, and submit its recommendations to the Board for discussion:

(1)The Remuneration Committee should regularly review its organizational regulations and provide suggestions for any necessary amendments.

(2)Develop and periodically review the performance evaluation criteria, annual performance goals, and policies, systems, standards, and structures of the Directors and senior executives' remuneration and disclose the content of the performance evaluation criteria in the annual report.

(3)Periodically evaluate the achievement of performance goals for the Company's Directors and senior executives, and based on the evaluation results obtained from the performance evaluation criteria, determine the content and amount of their remuneration. The remuneration of the Directors and senior executives shall be disclosed in the annual report in accordance with the regulations.

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

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>YES</th><th>NO</th><th>Summary Description</th></tr>
<tr><td>1.Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?</td><td>✓</td><td></td><td>The company established the ESG Sustainable Management Project Team on March 21, 2022, with the Corporate Governance Officer serving as the project leader. The team comprises part-time units from different functions, including marketing, research and development, finance, and quality assurance, and reports on its execution status to the board of directors every quarter. In addition, the board of directors regularly listens to relevant reports on operations, finance, corporate governance, and sustainability issues, providing extensive and professional opinions based on the members' diverse experiences to assist the company in making appropriate decisions and formulating clear strategic directions.</td><td>None</td></tr>
<tr><td>2.Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?</td><td></td><td>✓</td><td>The company has not yet established a dedicated unit for promoting corporate social responsibility. However, it has tasked the Management Center and Human Resources department with promoting CSR on a part-time basis. In the future, relevant risk strategies will be formulated according to operational needs.</td><td>None</td></tr>
<tr><td colspan="5">3.Environmental Issues</td></tr>
<tr><td>(1)Has the Company set an environmental management system designed to industry characteristics?</td><td>✓</td><td></td><td>(1)The company has tasked the General Management Division with implementing related environmental operations and ensuring control of the ISO 14001 environmental management system</td><td>(1)None</td></tr>
<tr><td>(2)Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</td><td>✓</td><td></td><td>(2)Company actively promotes paperless and electronic office environment, and implements policies for recycling waste paper. The entire factory enforces a waste classification and resource recovery system, including the recycling of lubricating oil, to enhance environmental awareness towards green initiatives. 。</td><td>(2)None</td></tr>
<tr><td>(3)Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?</td><td>✓</td><td></td><td>(3)Actively implementing energy-saving and carbon reduction operations, such as turning off lights when not in use, creating a paperless office environment, planting trees in open spaces, and using energy-efficient lighting in office buildings and data centers, to mitigate global warming.</td><td>(3)None</td></tr>
<tr><td>(4)Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?</td><td>✓</td><td></td><td>(4)Our company began tracking the total emissions of greenhouse gases, water usage, and waste weight in the fiscal year 111, and set reduction targets of decreasing greenhouse gas emissions by 1 ton of CO2e per year, water usage by 100,000 liters per year, and waste output by 5 tons per year. The statistical data and achievement status for the years 2022 and 2023 are shown in the tables below as follows:

1.Emissions of Greenhouse Gas:
Reduction target: Decrease by 1 ton of CO2e.
Achievement status: Achieved (Total emissions in the 2023 decreased by 5.5 tons CO2e compared to the 2022)
Unit:CO2e(Ton)
<table>
<tr><th>Year</th><th>First Scope</th><th>Second Scope</th><th>Total</th></tr>
<tr><td>2022</td><td>177.9</td><td>853.6</td><td>1,031.5</td></tr>
<tr><td>2023</td><td>259.7</td><td>766.3</td><td>1,026</td></tr>
</table>
Management Policy:
1.Advocacy and patrol inspections for daily electricity use.
2.Inspection and assessment of electrical facilities and circuits for replacing old lines to reduce energy consumption.
3.Optimization of production scheduling and workforce attendance

2.Water Usage:
Reduction target: Reduce by 100,000 liters.
Achievement status: Achieved (Water usage in the 2023 decreased by 798,000 liters compared to 2022)
Unit:10,000L
<table>
<tr><th>Year</th><th>Water Usage</th></tr>
<tr><td>2022</td><td>531.8</td></tr>
<tr><td>2023</td><td>452</td></tr>
</table>
Management Policy:
1.Advocacy and patrol inspections for daily water use.
2.Review of water reduction and recycling in production processes.</td><td>(4)None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	YES	NO	Summary Description	
			3.Wastage: Reduction target: Reduce 5 tons. Achievement status: Achieved (Total output in 2023 decreased by 15.6 tons compared to 2022) Unit: Ton Year / Wastage: 2022 – 107.6; 2023 – 92 Management Policy 1.By restructuring the production scheduling (centralized production) and conducting material procurement and factory delivery under this production model, review the feasibility of using materials for batch orders, their containment packaging, and the recyclability with merchants.	
4.Social Issues				
(1)Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(1)The company has established personnel management rules and employee work rules in accordance with relevant labor laws such as the Labor Standards Act, and has handled employee labor insurance, national health insurance, and retirement benefits in accordance with related regulations. In addition, the company has established the "Measures for the Prevention and Punishment of Sexual Harassment" in accordance with the Sexual Harassment Prevention Act and the Gender Equality in Employment Act, to provide employees with a work and service environment free from sexual harassment.	(1)None
(2)Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		(2)The Company attaches importance to the physical and mental health and welfare of our employees by organizing book clubs, seminars and competitions from time to time, in order to increase exchanges among colleagues and to achieve work-life balance. The Company also provides comprehensive and diversified welfare measures. The Employee Welfare Committee was established to handle various welfare matters, including wedding and funeral celebrations; maternity; company travel; club subsidies; bonuses for three festivals, Labor Day and birthday; children's scholarships; interest-free loans; and hospitalization grants.To improve the overall operational performance of the Company, it has work rules and management regulations, which cover basic wages, working hours, annual leaves more than what is provided in the Labor Standards Act, meal/transportation/communication subsidies, group insurance and health check-ups, and the provision of staff restaurants, dormitories,transportation vehicles, parking spaces, etc. The Company conducts regular market salary surveys to ensure that its overall compensation structure is competitive; it also provides performance bonuses and production bonuses based on the Company's operational performance, the achievement of team goals and individual employees' performance. We also pay our employees at a rate of not less than 2% of our current year's profit to motivate those who have performed well.	(2)None
(3)Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		(3)Company follows regulations and laws related to occupational safety and health to provide necessary safety and health education, disaster prevention training, and health management for our employees. Emergency escape routes and exits are set up in the office, and elevator equipment is regularly maintained. Additionally, fire-fighting facilities are available in the workplace, and fire drills, disinfection and cleaning of the work environment, and water quality testing are regularly conducted. Access control measures are also implemented to ensure the safety of employees. Other measures to protect the personal safety of employees are carried out in accordance with labor-related regulations and various internal welfare protection measures of the company. Regular health check-ups are also provided to employees to show the company's concern for their physical health.	(3)None
(4)Has the Company established effective career development training programs for employees?	✓		(4)All departments of the company cooperate with external training to enhance their professional skills according to their job responsibilities. We provide comprehensive and diverse resources to assist our colleagues in continuously improving their knowledge and broaden their horizons. Building a complete and diversified career development path is our continuous effort.	(4)None
(5)Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		(5)Our company highly values customer feedback and takes various measures to gather it, such as attending exhibitions and visits, providing product complaint contact channels and email, and conducting customer satisfaction surveys. These efforts help us understand how customers perceive our company, and the feedback we receive helps to strengthen our relationship with customers and achieve mutual benefits.	(5)None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>YES</th><th>NO</th><th>Summary Description</th></tr>
<tr><td>(6)Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</td><td>✓</td><td></td><td>(6)As a company providing environmental protection services such as waste removal and treatment, we have a positive impact on the environment and society. However, since we do not handle chemical waste that has a significant impact on the environment, we do not include relevant terms in our supplier contracts. We have integrated the concepts and management indicators of sustainable development management into our supplier management system, incorporating requirements for social responsibility, environmental responsibility, and occupational health and safety, to establish a high-quality supply chain management system.</td><td>(6)None</td></tr>
<tr><td>5.Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?</td><td></td><td>✓</td><td>The company has not yet prepared a sustainability report, but will consider timely preparation based on international trends and market changes.</td><td>Nones, but the company still takes a proactive approach to corporate social responsibility in areas such as product quality, labor safety and welfare, environmental protection, social welfare and services, and consumer rights.</td></tr>
<tr><td colspan="5">6.If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations:
As of now, the company has not officially established its own sustainability guidelines. However, we are committed to the principles of corporate social responsibility, including contributing to society, being a part of society, sustainable management, and actively operating in areas such as product quality, occupational safety and welfare, environmental protection, social welfare and services, and consumer rights.</td></tr>
<tr><td colspan="5">7.Other important information to facilitate better understanding of the company's promotion of sustainable development:
1. The company places great emphasis on environmental protection and green awareness, and therefore incorporates and implements the spirit of ISO 14001 environmental management system into its daily operations. It regularly and irregularly promotes and implements relevant environmental protection measures through various management practices.
2. To ensure employee rights, welfare, and safety, the company has established a labor welfare committee and set up a workplace safety office.
3. The company has built a community temple in the Chuansing Industrial Park to provide a religious site for local residents, while also continuously donating to social welfare organizations and caring for vulnerable groups. In addition, the company organizes various activities in the name of the founder, Chairman Zhang, Shao-Quan's scholarship fund to give back to the community.
4. The company regularly collaborates with blood donation centers to organize a company-wide blood donation drive about once every quarter, and encourages employees to actively participate in various social welfare activities.
5. The company has established an application and service department to provide various services to customers before, during, and after sales, and to address complaints to ensure the rights and interests of both buyers and sellers.
6. The company has established "Related Party Transaction Management Procedures" in its internal control system, strictly requiring all related parties to avoid situations of conflicts of interest.
7. The company allocates funds annually to participate in the Child Sponsorship Program of the Children's Hope Foundation by sponsoring two children
8. By implementing proposal improvement activities and carrying out energy-saving and waste-reducing activities, the company has achieved significant results, such as recycling and reusing waste iron generated from larger products to produce smaller products. The air conditioners used in the production process and office areas use recycled water, and the wastewater is recycled and reused, which has achieved remarkable results and helped improve the quality of water environment. The company has also installed recycling devices in the processing area to recycle waste iron.
9. By implementing 5S environmental and safety operations, the company has established cross-departmental employee representatives to conduct periodic inspections of the on-site environment and safety and remind of unsafe behaviors and investigate false alarms. In addition, each unit's employees take turns to conduct monthly safety and health education and promotional activities in order to cultivate employee's autonomous safety behavior. Furthermore, the company introduced the FPS autonomous research and management activity in 2008 and is currently carrying out factory process improvement activities, aiming to achieve smooth, automated, and efficient processes in the future, reduce employee labor and fatigue.</td></tr>
</table>

3.4.6.Climate-related information of TWSE/TPEx Listed Company

Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities. 2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term). 3. Describe the financial impact of extreme weather events and transformative actions. 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. 5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described. 6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks. 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. 8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified. 9. Greenhouse gas inventory and assurance status (separately fill out in point 1-1 below).	The company has not yet reached disclosure standards.

3.4.6.1.Greenhouse Gas Inventory and Assurance Status

Basic information of the Company	Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEx Listed Companies:
☐Capital of NT$10 billion or more, iron and steel industry, or cement industry ☐Capital of NT$5 billion or more but less than NT$10 billion ☑Capital of less than NT$5 billion	☐Individual inventory of the parent company ☐Consolidated financial statement subsidiary audit ☐Individual Assurance of the Parent Company ☐Confirmation of subsidiaries' financial statements for consolidation ☑The company has not yet met the disclosure standards required.

Scope 1	Total Emissions (Metric tons CO2e)	Intensity (Metric tons CO2e /NT$ 1 million dollar)	Assurance Body	Description of assurance status
Parent	-	-	-	Company has not yet reached the disclosure standards required
Subsidiary(ies)	-	-		
Total	-	-		
Scope 2	Total Emissions (Metric tons CO2e)	Intensity (Metric tons CO2e /NT$ 1 million dollar)	Assurance Body	Description of assurance status
Parent Company	-	-	-	Company has not yet reached the disclosure standards required
Subsidiaries	-	-		
Total	-	-		
Scope 3	Company has not yet reached the disclosure standards required			

3.4.7.Ethical Corporate Management - Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
1.Establishment of ethical corporate management policies and programs				
(1)Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?		✓	(1)Company has already established a code of ethics and an employee code of conduct. The Board of Directors and management carry out their duties with prudence in conducting business. Additionally, the company's internal audit department conducts periodic checks.	While the company has not yet formally established a business integrity policy or a code of conduct, the management team has always upheld high moral standards in managing the company and colleagues. The company operates based on the belief of business integrity and sustainable development, and therefore, its spirit is no different from that of other listed companies
(2)Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?		✓	(2)Company has established and implemented a code of ethics and a code of conduct for employees.	
(3)Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?		✓	(3)The company has currently established a code of ethics and a code of conduct for employees, and is implementing them.	
2.Ethical Management Best Practice				
(1)Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	✓		(1)The company includes clauses related to business integrity in all commercial contracts to safeguard the rights and obligations of both parties.	None.
(2)Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	✓		(2)The company has established a specialized unit under the General Management Department to promote business integrity. The Board of Directors will be informed of the company's integrity policies, measures to prevent dishonest behavior, and their implementation at least once a year. The Board of Directors and Supervisors will collaborate in overseeing these efforts.	
(3)Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		(3)The company will task the General Management Department to establish a reporting channel for conflicts of interest. The company's code of ethics and employee code of conduct already contain provisions to prevent conflicts of interest. In addition, the company will soon develop operating procedures and behavioral guidelines for promoting business integrity.	
(4)Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		(4)Company has established effective accounting and internal control systems in accordance with regulations, and implemented relevant provisions. Internal auditors also conduct audits and prepare reports in accordance with relevant regulations.	
(5)Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		(5)The company has established and implemented a code of ethics and employee code of conduct, and reinforced communication with directors, supervisors, and employees in every morning meeting following each board meeting and at least every two days.	
3.Implementation of Complaint Procedures				
(1)Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	✓		The Company has instructed the General Management Department to establish regulations and procedures related to the reporting channel for violations of the Code of Conduct and the operation of disciplinary and appeal systems.	None.
(2)Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓			
(3)Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓			
4.Strengthening Information Disclosure				
(1)Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		This company has disclosed relevant information on its website and the Public Information Observation System in accordance with the requirements for publicly traded companies (over-the-counter companies).	None
5.If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: The Company has not yet formally established a Code of Conduct or a set of guidelines for ethical business best practices. However, the management team has always been committed to managing the company and its employees with high ethical standards, and operates the company based on the principles of integrity and sustainable development. Therefore, its spirit is no different from that of other listed companies that have established their				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
own Code of Conduct based on the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.				
6.Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): 1. Compliance with laws and regulations: Company has always adhered to and complied with relevant government laws, regulations, and policies. Systems, regulations, and procedures have been established in accordance with the requirements of the competent authorities (such as codes of ethics, internal trading prevention management procedures, rules on the scope of the duties of supervisors, and internal management systems) to regulate the interests of stakeholders and ensure that we conduct business with integrity and sustainable development. 2. Social Responsibility: The company is actively engaged in various social responsibility initiatives, despite not having established a specific policy or system for corporate social responsibility. For more information on our efforts, please refer to section (VI) on our social responsibility practices 3. Information Disclosure: The company has established clear accounting and internal control systems in compliance with legal requirements. These systems are regularly audited by external auditors and internal auditors, who issue relevant audit reports, financial statements, and internal control statements as required for investor reference and regulatory oversight. Additionally, company has disclosed relevant information on the Public Information Observation System and our company website (https://www.chevaliertw.com/zh-tw/investor-area/investor-2) in accordance with the obligations of publicly listed companies on the Over-the-Counter Market. 4. Remuneration: The company's director and supervisor remuneration and employee bonuses are clearly stipulated in Articles 24-1 and 28 of the company's bylaws. They are determined based on the company's operating status and industry norms, and relevant information on remuneration and dividends is disclosed in the annual report and on the Public Information Observation System. In compliance with regulatory requirements, the company established a Remuneration Committee on October 25th, 2011, to determine the remuneration levels for directors, supervisors, and executives, and to establish policies, systems, standards, and structures for the company's remuneration. The committee bases its decisions on the company's bylaws, operating status, and industry norms. 5. Corporate Governance: The company currently does not have a formal "Corporate Governance Best Practice Guidelines," but it does adhere to the provisions and principles of the "Corporate Governance Best Practice Guidelines for Listed and Over-the-Counter Companies." Please refer to section (IV) of the company's corporate governance operations for more information on its best practices and differences with the guidelines. 6. Integrity Operating Guidelines and Code of Conduct: Although the company has not yet formally established a "Code of Ethics and Conduct Guidelines," the company's management and administrative departments are responsible for promoting ethical business best practices and have established relevant regulations and conducted related training. For over forty years, the management team and colleagues of the company have been managed under high moral standards, and the company has been operated with the belief in ethical business best practices and sustainable development. This has allowed the company to overcome various crises and establish a prominent position in the machine tool industry. Moving forward, the company's management and all colleagues will scrutinize themselves with even higher moral standards to ensure ethical business best practices and achieve the company's management philosophy of "Prudent operation, striving for excellence, international reputation, and shared prosperity."				

3.4.8.If the company has established corporate governance guidelines and related regulations, the method for accessing them should be disclosed on the company's website:

While our company has not yet formulated a corporate governance code, we continue to operate in accordance with the "Corporate Governance Best-Practice Principles for Listed Companies." We have established governance rules specific to our needs. These rules are disclosed not only through the regulatory authority's Market Observation Post System but also in the Investor Section of our official website. For detailed information, please visit our website at https://www.chevaliertw.com/zh-tw/investor-area/investor-2

3.4.9.Other important information that can enhance understanding of the company's governance practices includes:

1. In addition to attending training courses related to corporate governance, the company's General Management Office is responsible for handling the laws and regulatory interpretations of the competent authorities. Also, the company has assigned personnel to participate in relevant promotional conferences held by the competent authorities, and provide timely information to the board of directors as a reference for corporate governance decision-making.
2. Market Observation Post:http://mops.twse.com.tw
3. Official website of investor relations section on the company: https://www.chevaliertw.com/zh-tw/investor-area/investor-2

3.4.10.Implementation status of internal control system:

I.Status of Internal Control

Falcon Machines Tools Co., Ltd.
Statement of Internal Control System

Date:2024/03/11

Based on the self-evaluation, we hereby declare the following regarding the internal control system of company for the year 2023:

1. The company is fully aware that it is the responsibility of the board of directors and management to establish, implement, and maintain an internal control system. As such, the company has established this system to achieve objectives such as improving operational effectiveness and efficiency (including profitability, performance, and asset security), ensuring reliable and timely reporting, transparency, and compliance with relevant regulations and laws. This system provides reasonable assurance to stakeholders.
2. The internal control system has inherent limitations, and even with a well-designed system, it can only provide reasonable assurance of achieving the three objectives mentioned above. Moreover, the effectiveness of the internal control system may change due to changes in the environment or circumstances. The internal control system has a mechanism for self-supervision, and corrective action is taken promptly upon identification of any deficiency.
3. The Guidelines divide internal control systems into five components: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring Activities. Each component includes several items, which can be referred to in the Guidelines for further details. The effectiveness of the internal control system was evaluated based on these “Guidelines”.
4. The above internal control system evaluation criteria have been adopted by our company to assess the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results, it is believed that the internal control system (including the supervision and management of subsidiaries) of the company as of December 31, 2023, which includes understanding the effectiveness of operations and the degree of achieving efficiency targets, reliable reporting, timely, transparent and compliance with relevant regulations and laws, and the design and implementation of internal control systems are effective. It can reasonably ensure the achievement of the above objectives.
6. This statement serves as the primary content of our annual report and public disclosure and is available to the public. Any false, misleading, or concealed information in this disclosure may result in legal liability under the Securities and Exchange Act, including but not limited to Articles 20, 32, 171, and 174.
7. This statement has been approved by the board of directors of the company on March 11, 2024. Out of 7 directors present, None expressed opposition and all agreed to the contents of this statement.

Falcom Machine Tools CO., Ltd.

Chairman: Lin, Tsung-Lin

General Manager: Tung, Shang-Yu

II.This statement declares that there is no accountant's review report to be disclosed regarding the appointment of an accountant to review the internal control system.

3.4.11. Recently, up until the printing date of the annual report, the company and its internal personnel have been subject to legal sanctions or penalties by the company for violations of internal control system regulations. These penalties may have a significant impact on shareholder equity or security prices. It is important to disclose the specific details of the penalties, major deficiencies identified, and the measures taken for improvement: None

3.4.12. Recent important resolutions of the shareholders' meeting and board of directors until the printing date of the annual report are as follows:

The 2023 Annual Shareholder Meeting was held on June 21, 2023 at No. 34, Xinggong Rd., Shengang Township, Changhua County 509004, Taiwan (R.O.C.) (Falcon Machine Tools Co., Ltd.) Resolved issues at the meeting and their implementation status are as follows:
Acknowledged and discussed matters:

Issue 1

Proposal Item:	Acknowledgement of the operating report and financial statements of our company for the year 2022.
Resolution:	After voting, the number of approving votes exceeded the required legal amount, and the motion was passed.
Implementation:	The important resolutions of the shareholder meeting were announced on the same day

Issue 2

Proposal Item:	Acknowledgement of the Profit Distribution Plan for the year 2022 of the company.
Resolution:	The resolution has been approved with a number of votes exceeding the legal requirement.
Implementation:	The important decision of the shareholders' meeting was announced as a major event on the same day.

Issue 3

Proposal Item:	Amendment “Articles of Corporation” and Change of the Company Address.
Resolution:	The vote results show that the number of approving votes exceeds the statutory threshold, and the proposal is passed.
Implementation:	Relevant operations are conducted in accordance with the revised management procedures, and the revised provisions are disclosed on the company's website.

Issue 4

Proposal Item:	Reformulation of “Rules and Procedures of Shareholders’ Meeting.
Resolution:	The vote results show that the number of approving votes exceeds the statutory threshold, and the proposal is passed.
Implementation:	Relevant operations are conducted in accordance with the revised management procedures, and the revised provisions are disclosed on the company's website.

Issue 3

Proposal Item:	Conducting Private Placement of Common Shares.
Resolution:	The vote results show that the number of approving votes exceeds the statutory threshold, and the proposal is passed.
Implementation:	The registration of shares without entity was completed on December 20, 2023.

Here are the significant resolutions made by the board of directors up to the date of printing the annual report for the year 2023.

2023/01/17(9th session,4th meeting)

Proposal Item:	Discussion and Resolution regarding the proposal to apply for a five-year medium-to-long term credit from Bank of Panshin
Result：	It was approved as proposed.
Proposal Item:	Proposal to approve the budgeted allocation ratios for director and employee remuneration for the year 2023.
Result：	It was approved as proposed.
Proposal Item:	Resolution for the distribution of the annual bonus for the management personnel of the company for the year 2022.
Result:	It was approved as proposed.

2023/03/21(9th session,5th meeting)

Proposal Item:	Discussion requested regarding the proposal for approval of the 2022 Annual Report and Financial Statements of the Company for the year ended December 31, 2022.
Result：	It was approved as proposed.
Proposal Item:	Discussion requested regarding the proposal to approve the allocation of losses for the fiscal year 2022
Result：	It was approved as proposed.
Proposal Item:	Discussion requested regarding the proposal to establish the process and general policy for obtaining the prior consent of Ernst & Young Accounting Firm and its affiliated enterprises for non-audit services, submitted for resolution.
Result：	It was approved as proposed.
Proposal Item:	Discussion requested regarding the resolution on the Assessment Report of the Independence and Competence of the Accountant.
Result：	It was approved as proposed.
Proposal Item:	Discussion requested regarding the proposal for the internal control system statement of the Company for year 2022
Result：	It was approved as proposed.
Proposal Item:	Discussion and resolution regarding the company proposes to reapply for a five-year joint credit plan.
Result：	It was approved as proposed.
Proposal Item:	Discussion and resolution regarding the proposal to adjust the organizational structure of the company, and seek resolution.
Result：	It was approved as proposed.
Proposal Item:	Resolution and revising the "Articles of Incorporation" and changing the business registration address of the Company
Result：	It was approved as proposed.
Proposal Item:	Discussion and resolution regarding the proposal to revise the "Shareholders' Meeting Rules" of the Company
Result：	It was approved as proposed.
Proposal Item:	Proposal to set the Proposal for the 2023 Annual Shareholders' Meeting and to address matters related to accepting proposals from shareholders.
Result：	It was approved as proposed.

2023/05/02(9th session,6th meeting)

Proposal Item:	Revision of selected articles in the "Internal Control System and Related Procedures".
Result：	It was approved as proposed.
Proposal Item:	The company's case for renewing endorsement and guarantee agreements.
Result：	It was approved as proposed.
Proposal Item:	The case involving credit agreements between the company and financial institutions.
Result：	It was approved as proposed.
Proposal Item:	Proposed plan for issuing private common shares.
Result：	It was approved as proposed.
Proposal Item:	Addition of items to the agenda for 2023 annual shareholders' meeting.
Result：	It was approved as proposed.

2023/08/09(9th session,7th meeting)

Proposal Item:	Case concerning the auditor's fees for 2023.
Result：	It was approved as proposed.
Proposal Item:	Proposal to apply for mid-to-long-term financing from financial

	institutions.
Result：	It was approved as proposed.

2023/11/09(9th session,8th meeting)

Proposal Item:	Proposal for a cash capital increase of 50 million New Taiwan Dollars for the subsidiary, Lin Yu International Industrial CO., LTD., increasing the paid-in capital to 150 million New Taiwan Dollars.
Result：	It was approved as proposed.
Proposal Item:	The company's initial private common stock offering, including pricing, identification of private investors, and issuance details.
Result：	It was approved as proposed.
Proposal Item:	Proposal to apply for mid-to-long-term financing from financial institutions (repeated).
Result：	It was approved as proposed.
Proposal Item:	Development of the internal audit plan for 2024.
Result：	It was approved as proposed.
Proposal Item:	Amendment to the "Internal Control System - Investment Cycle Decision-Making Authority Table".
Result：	It was approved as proposed.
Proposal Item:	Proposal to change the stock affairs agent.
Result：	It was approved as proposed.
Proposal Item:	Re-establishment of the "Salary and Compensation Remuneration Committee Organization Regulations".
Result：	It was approved as proposed.

2024/01/26(9th session,9th meeting)

Proposal Item:	Formulation of the "Method for Allocating Compensation for Directors and Employees" case.
Result：	It was approved as proposed.
Proposal Item:	The annual bonus distribution case for managers for 2023.
Result：	It was approved as proposed.
Proposal Item:	The budget case for 2024.
Result：	It was approved as proposed.
Proposal Item:	Amendment and renaming of the "Board of Directors Meeting Regulations" case.
Result：	It was approved as proposed.

2024/03/11(9th session,10th meeting)

Proposal Item:	The annual business report and financial statements case for 2023.
Result：	It was approved as proposed.
Proposal Item:	The assessment report on the independence and suitability of the auditing accountant.
Result：	It was approved as proposed.
Proposal Item:	The internal control system declaration case for 2023.
Result：	It was approved as proposed.
Proposal Item:	Proposed participation in the development of the Kaohsiung MRT Houjin Station project.
Result：	It was approved as proposed.
Proposal Item:	Amendment of certain articles in the "Endorsement and Guarantee Procedures" case.
Result：	It was approved as proposed.
Proposal Item:	Setting the agenda for the annual general meeting of shareholders for 2024 and handling shareholder proposals case.
Result：	It was approved as proposed.

3.4.13.Record or written statement from any directors or supervisors who expressed disagreement with any important resolutions passed by the board of directors up to the date of printing the latest annual report：None

3.4.14.Summary of Resignations and Dismissals of Key Personnel of the Company：None

3.5.Information on CPA (External Auditor) Professional Fees

Unit : NT$ thousands

Name of Accounting Firm	Name of CPAs	Period Covered by the CPA Audit	Audit Fee	Non-Audit Fees	Total	Remarks
Ernst & Young	Cheng, Zheng-Chu	2023.1.1~2023.12.31	2,700	150	2,850	Non-audit fees service content: Tax certification services for NTD 150,000.
	Hong, Guo-Sen	2023.1.1~2023.12.31				

3.6.Information on Replacement of CPAs：NONE

3.7.Information on the Employment of the Company's Chairman, General Manager, manager in Charge of Finance or Accounting in the Affiliated Accounting Firm to its Related Enterprises within the past year: NONE

3.8.Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders Holding More Than 10% of the Company's total share

3.8.1.Changes in shareholding of directors, executives, and shareholders with ownership exceeding 10%.

Unit: Shares

Job Title	Name	2023		Current fiscal year as of 2024/04/27	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Lin, Tsung-Lin	0	0	8,200,000	0
Vice Chairman and General Manager	Tung, Shang-Yu	0	0	1,000,000	0
Legal Director Person	Lin Yi-zhen	81,000	0	0	0
Legal Director Person	Zhang Yu-Xin				
Legal Director (shareholder owning more than 10%)	Linju Investment Co., Ltd.				
Independent Director	Wu, Zhi-Chi	0	0	0	0
Independent Director	Gong, Xin-Jie	0	0	0	0
Independent Director	Chen, Li-Yun	0	0	0	0
Deputy General Manager & Corporate Governance Officer	Chen Shih-en	0	0	0	0
Deputy General Manager	Chang Ming-lun	0	0	(22,000)	0
Deputy General Manager	Chang Che-hua	0	0	0	0
Deputy Manager & Financial Accounting Supervisor	Pei, Yu-Wen	0	0	0	0
Deputy General Manager	Feng,Chun-Chao (Engagement date:2023/06/01)	0	0	0	0
Deputy Manager	Chen Shih-Chang	0	0	101	0
Deputy Manager and Spokeman	Chang Shun-fu (Engagement date:2023/09/11)	0	0	0	0

3.8.2.Information on Transfers of Shareholding: None

3.8.3.Information on Pledges of Shareholding:

Name	Reason for Pledge Change	Date of Change	Counterparty	Relationship between Counterparty and Directors, Managers, and Shareholders with Ownership Exceeding 10%	Number of Shares	Shareholding Percentage (%)	Pledge Ratio (%)	Amount Of Pledge (Redemption)
Linju Investment Co., Ltd.	Pledge	2022.08.23	TAICHUNG COMMERCIAL BANK Co., Ltd.(Zhongli Branch)	NA	8,300,000	9.41	82.50	-

3.9.Relationships Among the Top 10 Shareholders

Date: 2024/04/27

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Linju Investment Co., Ltd	10,061,000	9.41%	0	0%	0	0%	None	None	None
Linju Investment Co., Ltd Representative: Lin, Tsung-Lin	8,301,000	7.77%	0	0%	0	0%	None	None	None
Lin, Tsung-Lin	8,301,000	7.77%	0	0%	0	0%	None	None	None
Luqi Investment Co., Ltd.	5,000,000	4.68%	0	0%	0	0%	None	None	None
Luqi Investment Co., Ltd. Representative: Hua,Chi-Hsiang	246,000	0.23%	0	0%	0	0%	None	None	None
Lu,Chin-Fa	4,400,000	4.12%	0	0%	0	0%	None	None	None
Hou, Chia-Chang	4,216,000	3.95%	100,000,000	0.94%	0	0%	None	None	None
Better Life Group	3,497,000	3.27%	0	0%	0	0%	None	None	None
Better Life Group Representative: Chung His-chi	0	0%	0	0%	0	0%	None	None	None
Liu,Fang-Chun	3,300,000	3.09%	0	0%	0	0%	None	None	None
Cheng,Hsiao-Chin	3,000,000	2.81%	0	0%	0	0%	None	None	None
Lin Sen Investment Co., Ltd.	3,000,000	2.81%	0	0%	0	0%	None	None	None
Lin Sen Investment Co., Ltd. Representative: Chen,Yu-Wen	0	0%	0	0%	0	0%	None	None	None
Huang,Chien-Jen	2,642,064	2.47%	0	0%	0	0%	None	None	None

3.10.Total Ownership of Shares in Investee Enterprises

Date: 2023/12/31 Unit: Shares/%

Investee enterprise (Note)	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
CHEVALIER MACHINERY,INC	2,120	100.00%	0	0%	2,120	100.00%
LUCKY INVESTMENT (B.V.I) SERVICES LTD.	8,795	100.00%	0	0%	8,795	100.00%
Lin Yu International Industrial CO., LTD	20,000	100.00%	0	0%	20,000	100.00%
FOCUS CNC CO., LTD.	8,337	39.18%	100	0.46%	8,437	39.64%
HWANG KANG MACHINERY CO., LTD.	2,287	40.18%	466	8.18%	2,753	48.36%
Ching Young International Industrial CO., LTD	1,500	7.50%	800	3.99%	3,290	16.44%

Note: This is an equity-method investment of the company.

IV.Capital Overview

4.1.Capital and Shares

4.1.1.Source of Capital

I.Issued Shares

Date: 2023/04/23

Month/ Year	Issued price (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of Capital	Capital paid in by assets other than cash	Other
1978.04	1000	3,000	3,000,000	3,000	3,000,000	Initial authorized capital	None	None
1990.02	1000	100,000	100,000,000	100,000	100,000,000	Capital increase of NT$33,000,000 from retained earnings and NT$25,000,000 from cash subscription	None	None
1991.10	10	15,000,000	150,000,000	15,000,000	150,000,000	Capital increase of NT$10,000,000 from retained earnings and NT$40,000,000 from cash subscription	None	None
1994.12	10	19,900,000	19,900,000	19,900,000	199,000,000	Capital increase of NT$24,000,000 from retained earnings and NT$25,000,000 from cash subscription	None	None
1995.06	10	26,000,000	260,000,000	26,000,000	260,000,000	Capital increase of NT$15,920,000 from capital surplus, NT$9,950,000 from retained earnings, and NT$35,130,000 from cash subscription.	None	Note1
1996.05	10	32,500,000	325,000,000	32,500,000	325,000,000	Capital increase of NT$26,000,000 from retained earnings and NT$39,000,000 from cash subscription	None	Note2
1997.07	10	40,500,000	405,000,000	40,500,000	405,000,000	Capital increase of NT$48,750,000 from retained earnings and NT$31,250,000 from cash subscription	None	Note3
1998.09	10	100,000,000	1,000,000,000	60,653,000	606,530,000	Capital increase of NT$101,250,000 from retained earnings, NT$98,000,000 from cash subscription, and NT$2,280,000 from employee bonus converted to capital	None	Note4
1999.07	10	100,000,000	1,000,000,000	72,995,700	729,957,000	Capital increase of NT$90,979,500 from retained earnings, NT$30,326,500 from capital surplus, and NT$2,121,000 from employee bonus converted to capital	None	Note5
2006.04	10	135,000,000	1,350,000,000	71,869,700	718,697,000	Stock cancellation of 1,126,000 shares	None	Note 6
2006.07	10	135,000,000	1,350,000,000	69,503,700	695,037,000	Stock cancellation of 2,366,000 shares	None	Note 7
2006.11	10	135,000,000	1,350,000,000	67,382,300	673,823,000	Stock cancellation of 2,121,400 shares	None	Note 8
2008.04	10	135,000,000	1,350,000,000	66,000,300	660,003,000	Stock cancellation of 1,382,000 shares	None	Note 9
2009.04	10	135,000,000	1,350,000,000	64,880,300	648,803,000	Stock cancellation of 1,120,000 shares	None	Note10
2012.04	10	135,000,000	1,350,000,000	76,880,300	768,803,000	Cash capital increase NT$120,000,000	None	Note11
2023.12	10	135,000,000	1,350,000,000	106,880,300	1,068,803,000	Cash capital increase NT$300,000,000	None	Note12

Note 1:No. 37777 from TSCDC (1) on June 30, 1995
Note2:No. 38224 from TSCDC (1) on June 14,1996
Note 3:No. 49304 from TSCDC (1) on June 20, 1997
Note 4:No.66873 from TSCDC (1) on August 06, 1998
Note 5:No.49946 from TSCDC (1) on May 29,1999
Note 6:Letter of Appointment No. 09501060910 dated April 10, 2006
Note 7:Letter of Appointment No. 09501143130 dated July 10,2006
Note 8:Letter of Appointment No. 09501265110 dated November 28,2006
Note 9:Letter of Appointment No. 09701093350 dated April 21,2008
Note 10:Letter of Appointment No. 09801079000 dated April ,22 2009
Note 11:Letter of Appointment No. 10101053610 March,28 2012
Note 12:Letter of Appointment No. 11230226700 December,12 2023

II.Type of Stock

Date:2024/04/27 Unit: Shares

Type of stock	Authorized Capital			Remarks
	Outstanding shares	Unissued Shares	Total	
Common Share	106,880,300	28,119,700	135,000,000	-

Note: OTC Stocks of Listed Company

4.1.2.Status of Shareholders

Date:2024/04/27 Unit: Person: Shares

Structure / Quantity	Government Agencies	Financial Institution	Other Juridical Persons	Foreign Institutions & Natural Persons	Independence	Stock	Total
Number of Shareholders	0	0	227	31	25,608	0	25,866
Shareholding	0	0	25,478,305	1,866,863	79,535,132	0	106,880,300
Percentage	0.00%	0.00%	23.84%	1.74%	74.42%	0.00%	100.00%

4.1.3.Shareholding Distribution Status

Date:2024/04/27 Unit: Person: Shares

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	21,495	219,514	0.21%
1,000-5,000	3,190	6,690,907	6.26%
5,001-10,000	498	4,056,861	3.80%
10,001-15,000	187	2,445,463	2.29%
15,001-20,000	118	2,158,894	2.02%
20,001-30,000	105	2,687,791	2.52%
30,001-40,000	67	2,389,179	2.24%
40,001-50,000	44	2,110,326	1.97%
50,001-100,000	77	5,828,742	5.45%
100,001-200,000	29	4,140,874	3.87%
200,001-400,000	22	5,953,115	5.57%
400,001-600,000	6	3,069,000	2.87%
600,001-800,000	5	3,523,691	3.29%
800,001-1,000,000	8	7,567,681	7.08%
1,000,001or above	15	54,038,262	50.56%
Total	25,866	106,880,300	100.00%

4.1.4.List of Major Shareholders

Date: 2024/04/27 Unit: Shares:%

Shareholding / Shareholder's Name	Shares	Shareholding Ratio
Linju Investment Co., Ltd. Legal Representative：Lin, Tsung-Lin	10,061,000	9.41%
Lin, Tsung-Lin	8,301,000	7.77%
Luqi Investment Co., Ltd. Legal Representative: Hua,Chi-Hsiang	5,000,000	4.68%
Lu,Chin-Fa	4,400,000	4.12%
Hou, Chia-Chang	4,216,000	3.95%
Better Life Group Legal Representative: Chung His-chi	3,497,000	3.27%
Liu,Fang-Chun	3,300,000	3.09%
Cheng,Hsiao-Chin	3,000,000	2.81%
Lin Sen Investment Co., Ltd. Legal Representative:Chen,Yu-Wen	3,000,000	2.81%
Huang,Chien-Jen	2,642,064	2.47%

4.1.5.Market Price, Net Worth, Earnings and Dividends per share of recent two-year

Unit: NT$, Share,%

Items		Fiscal Year	2022	2023	2023/01/01-2024/04/27
Market Price per share (Note 1)	Highest		29.45	22.55	44.45
	Lowest		13.35	18.10	18.20
	Average		20.67	19.83	31.05
Net Worth per Share (Note 2)	Before Distribution		10.68	13.15	-
	After Distribution		-	-	-
Earnings per Share	Weighted Average Shares		76,880,300	106,880,300	-
	Earnings Per Share		(0.30)	1.44	-
Dividends per Share	Cash Dividends (Note3)		-	-	-
	Stock Dividends	-	-	-	-
		-	-	-	-
	Accumulated Undistributed Dividends (Note4)		-	-	-
Return on Investment analysis	Price / Earnings Ratio (Note5)		(71.37)	13.90	-
	Price / Dividend Ratio (Note 6)		-	-	-
	Cash Dividend Yield (Note7)		-	-	-

*If the company increases its capital by issuing bonus shares through profit or capital reserve, it must disclose the corresponding market price adjustments and cash dividend information, in order to trace the changes in the number of shares issued.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

4.1.6.Dividend Policy and Implementation Status

I.Dividend Policy

According to Article 29 of the company's articles of incorporation, if the company generates profits during the fiscal year, it shall reserve no less than 2% of the profits for employee remuneration, to be distributed by the Board of Directors in cash or stock. The Board of Directors may decide to allocate no more than 5% of the profits as director remuneration. The distribution of employee and director remuneration shall be reported and discussed at the shareholder meeting. However, if the company has accumulated losses, a portion of the profits should first be reserved to offset the losses, before allocating employee and director remuneration in accordance with the aforementioned ratio.

If the company generates profits in its annual financial statements, it shall first offset the accumulated losses and then set aside 10% of the remaining balance as legal reserve funds for profits (except when the legal reserve funds for profits have reached the amount of the company's paid-in capital). The company shall then follow the regulations to allocate or convert the special reserve funds for profits. If there is still a remaining balance, the company may consider retaining it as undistributed profits, or distribute it according to a proposed allocation plan by the board of directors and submit it to the shareholders' meeting for resolution.

As the company is currently in the "growth phase" of its business lifecycle and to ensure sustainable development based on capital expenditures, business expansion needs, and sound financial planning, our dividend policy will be determined based on the company's future capital expenditure budget and funding requirements. The distribution of dividends to shareholders will not exceed 80% of the distributable profits, and the cash dividend ratio shall not be lower than 10% of the total shareholder dividend amount.

II.Proposed Distribution of Dividend

The distribution of profits for 2023 of our company has not yet been resolved by the board of directors prior to the printing date of the annual report.

4.1.7. Effect of proposed bonus share issuance on company's operating performance and earnings per share: Not applicable.

4.1.8. Remuneration of Employees, Directors and Supervisors

1. Information Relating to Remuneration of Employees, Directors and Supervisors in the Articles of Incorporation: Please refer to the explanation in (vi)1. according to the dividend policy established under Article 29 of company's bylaws.
2. Accounting treatment for any differences between the estimated and actual amounts of employee and director remuneration expenses, the calculation basis for employee remuneration in the form of stock distribution, and the number of shares used in the calculation.
   (1) The estimated basis for employee and director remuneration expenses is based on the percentage range stipulated in the company's articles of association.
   (2) Calculation basis for stock dividends distribution: No stock dividends were distributed by the Company in year 2023.
   (3) The actual distribution amount determined by the board of directors and the estimated amount: No difference.
3. Distribution of remuneration approved by the board of directors:
   (1) The amount of employee and director remuneration distributed in cash or stock: The board of directors 2023 has not yet decided on the employee and director compensation before the annual report's printing date.
   (2) The amount of employee remuneration distributed in the form of stock and the proportion of such amount to the post-tax net income of the current period and the total amount of employee remuneration are not applicable.
4. Distribution of Remuneration of Employees, Directors and Supervisors in the previous year, (including the number of shares, amount, and share price) should be disclosed, along with any differences between the recognized employee and director remuneration and the actual distribution, the amount of the difference, the reasons for the difference, and the corresponding handling measures：None

4.1.9 Share repurchases by the company: Not applicable.

4.2.Bonds: None

4.3.Preferred Stock Issuance Status: None

4.4.Global Depository Receipts: None

4.5.Employee Stock Options: None

4.6.Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.7.Financing Plans and Implementation:

1. The planned content is outlined as follows:

   As of the publication date of the annual report, up to the end of the previous quarter, any issuance or private placement of securities that remains incomplete or has been completed within the last three years without the manifestation of planned benefits is detailed below:

Year	2023
Project Title	Initial Private Placement of Common Stocks
Total Funding Required	NT$466,800 million
Source of Funds	Private placement of 30,000 million new shares with a par value of NT$10 per share. The private placement price is NT$15.56 per share, totaling NT$466,800 million.
Board Approval Date for Plan Modification	Unchanged
Approval Date and Document Number by Regulatory Authority	Not applicable
Project Details and Scheduled Fund Utilization Progress	The funds from this private placement are intended for augmenting operational capital. As of the first quarter of 2024, a total of NT$301,033 million has been utilized.
Expected Benefits:	1. Augmentation of operational capital to enhance the level of proprietary funds and increase flexibility in fund management. 2. Improvement of financial structure by enhancing liquidity ratio and reducing debt ratio.
Submission of Designated Information to Reporting Website Date:	Year/Quarter: 2023 , 4th Quarter — Date of Report: 2024/1/10 Year/Quarter: 2024 , 1st Quarter — Date of Report: 2024/4/10

2. Execution Status

   For each of the projects, an analysis is provided below detailing the execution status up to the end of the previous quarter, as well as a comparison with the original expected benefits. In cases where the execution progress or benefits fall short of the projected targets, specific reasons are explained along with their impact on shareholder equity and improvement plans:

Unit：NT$ million

Project	Total amount of funds required for the plan	Implementation status		As of the first quarter of 2024	Reasons for being ahead or behind schedule and improvement plans
First private placement of common stock to increase capital in 2023					
To bolster operating funds	366,800	Disbursement amount	Scheduled	208,000	Disbursements were made according to the operational needs of the company, hence there is a slight difference from the scheduled progress.
			Actual	223,723	
		Implementation status	Scheduled	56.71%	
			Actual	60.99%	
To repay bank loans	100,000	Disbursement amount	Scheduled	70,000	Disbursements were made according to the repayment timelines set by the bank, hence there is a slight difference from the scheduled progress.
			Actual	77,311	
		Implementation status	Scheduled	70%	
			Actual	77.31%	

V.Operational Highlights

5.1.Business Activities

5.1.1.Business Scope

I.Main areas of business operations:

(1) Manufacturing, sales, and after-sales service of precision grinders.
(2) Manufacturing, sales, and after-sales service of tool grinders.
(3) Manufacturing, sales, and after-sales service of CNC (Computer Numerical Control) grinders.
(4) Manufacturing, sales, and after-sales service of milling machines.
(5) Manufacturing, sales, and after-sales service of CNC milling machines.
(6) Manufacturing, sales, and after-sales service of CNC lathes.
(7) Manufacturing, sales, and after-sales service of Vertical Machining Centers.
(8) Domestic and international distribution of related products as an agent.
(9) Manufacturing, sales and after sales service of various work holding devices
(10) Aerospace and precision component processing services.
(11) Manufacturing of various mechanical parts and import, export trade.
(12) Manufacturing and trading of computer peripherals, computer components and electronic components.

II.Main Product sales distribution of the Company (Group Consolidated):

Unit: NT$ Thousand

Product Categories	2023		2022	
	Amount	Percentage	Amount	Percentage
Precision Grinders	449,224	34.80%	551,519	34.24%
CNC Surface Grinders	187,253	14.51%	268,925	16.70%
Vertical Machining Centers	210,895	16.34%	302,018	18.75%
CNC Lathe	68,296	5.29%	81,223	5.04%
Vertical Turning Lathe	42,235	3.27%	56,120	3.48%
Double Column Grinding Machine	114,836	8.90%	103,859	6.45%
Double Column Milling Machine	0	0.00%	0	0.00%
Others(Note)	218,044	16.89%	246,887	15.33%
Total	1,290,783	100.00%	1,610,552	100.00%

Note: Other products include the sales of components, the purchase and sales of goods, and income from service andmaintenance.

III.Main products:

Product Categories	Description
Precision Grinders	FSG-2A、FSG-3A、FSG-AD、FSG-SP、FSG-M Product Series
CNC Surface Grinders	FMG-CNC、FVGC、FGP-LM、FSG-CNC、SMART、HYDRO、FDG、FRG Product Series
Vertical Machining Centers	QP Product Series、EM Product Series
CNC Lathe	FBL、FCL、FNL Product Series
Vertical Turning Lathe	FVL、FVL-VTC、FVL-8/12/20/24 Product Series
Double Column Grinding Machines	FPG-DC、FSG-DC Product Series

Note: Please visit the official website at http://www.chevalier.com.tw for more information.

IV.New products development in year 2023:

R&D Projects	Content	Description
Grinding Machine	Research and development of surface grinder	1. Development of a grinder for the aerospace industry. 2. Development of SMART grinder software technology. 3. Execution of oil-static pressure spindle prototype project 4. Smart grinder machine function planning and Industry 4.0 integration 5. Commercialization of AD IV intelligent grinder 6. Commercialization of Double Shield Fine Grinders 7. Development of High-waist grinder 8. Grinding machine automation planning 9. SMART IV grinder commercialization with 15-inch screen (spindle balancing/intelligent direction switching) 10. Development of dynamic pressure spindle 11. Grinding end detection for grinder 12. Commercialization of FSG-2064ADIV grinder 13. Commercialization of FSG-2048ADIV grinder 14. Development of SMART-20 model 15. Development of SMART-24 series model 16. Development of FSG-24 series model 17. Development of FAUNC IHMI 18. Expansion of iMCS communication protocol with PROFINET 19. Plug in Semi-Auto program Machine 20. Development of Extrusion molding mechanism
	Research and development of double column grinding machine	1. Commercialization of vertical grinder models 2. Improvement project for the 60-series double column grinding machine 3. Development of built-in spindle
Milling Machine	Development of Machining Centers Product	1. Enhancement project on the quality and stability of QP machines 2. Commercialization of UNi5X-400 5Axes Machining Center. 3. Development of QP intelligent technology (SMART/FANUC) 4. Commercialization of UNi5X-800 5Axes Gantry Type Vertical Machining Center 5. Development project for #40/50 ultrasonic spindle 6. Development project for single-machine automation of lathe-milling machines. 7. Development project of FPM-500G Gantry-Type Milling Machine. 8. Commercialization of QP Milling Machine for the 3C Industry 9. Development of FAUNC IHMI 10. Expansion of iMCS communication protocol with PROFINET 11. Plug in Semi-Auto program Machine
Turning Machine	Vertical Lathe Series Product Development	1. Development project for the automation of single-turret lathe 2. Development of FAUNC IHMI 3. Expansion of iMCS communication protocol with PROFINET 4. Plug in Semi-Auto program Machine

5.1.2.Industry Overview

I.Macroeconomic Environment

The Customs Administration, Ministry of Finance, announced preliminary customs import and export trade statistics for December 2023, as organized by the Taiwan Association of Machinery Industry: The cumulative export value of machine tools in 2023 was $2.599 billion, a decrease of 14% compared to 2022.

The export value of Taiwanese machine tools in December 2023, was $209 million, which is a 0.1% decrease from November 2023 and a 20% decrease compared to December of the previous year (2022). Of this, metal cutting machine tools had an export value of $176 million in December 2023, which represents a 1.9% increase from November 2023; metal forming machine tools had an export value of $3,269 in December 2023, a 9.4% decrease from November 2023. The cumulative export value of machine tools in 2023 was $2.599 billion, a 14% decrease from the same period in 2022, with metal cutting machine tools accounting for $2.2 billion of the exports, a decrease of 13.3% from the previous year, and metal forming machine tools accounting for $395 million, a decrease of 17.7% from the previous year.

The top ten export destinations for Taiwanese machine tools in 2023, ranked by export value. were China (including Hong Kong), the USA, Turkey, India, the Netherlands, Germany, Italy, Vietnam, Thailand, and Japan. For more detailed data, please refer to Tables 1 and 2 and Figure 1.

Table 1: Export statistics of Taiwan's machine tool industry for January to December 2023.

Unit: US$ Thousands

Type of Machine	Amount of 2023/12	Amount of 2023/11	M-o-M	Amount from 2023/01-2023/12	Amount from 2022/01-2022/12	Y-o-Y
EDM (Electrical Discharge Machining), laser, and ultrasonic tools	13,721	14,433	-4.9%	167,396	182,508	-8.3%
Comprehensive Processing Machines	64,336	63,139	1.9%	871,641	1,044,079	-16.5%
Lathe	53,925	50,366	7.1%	651,519	685,345	-4.9%
Drilling, boring, milling, and threading machine tools	14,301	14,069	1.6%	160,444	205,623	-22.0%
Grinding machines	19,370	21,466	-9.8%	217,272	277,786	-21.8%
Planning, shaping, broaching, and gear-cutting machine tools	10,312	9,291	11.0%	135,844	147,743	-8.1%
Metal cutting machine tools	175,965	172,764	1.9%	2,204,116	2,543,084	-13.3%
Forging, stamping, and punching machine tools	27,993	24,852	12.6%	314,411	376,638	-16.5%
Other forming machine tools	4,698	11,247	-58.2%	80,912	103,538	-21.9%
Metal forming machine tools	32,691	36,099	-9.4%	395,323	480,176	-17.7%
Total	208,656	208,863	-0.1%	2,599,439	3,023,260	-14.0%

Source:Ministry of Finance of the Republic of China, Customs Appeal Tribunal；Organize: Taiwan Machine Tool & Accessory Builder's Association(TMBA)

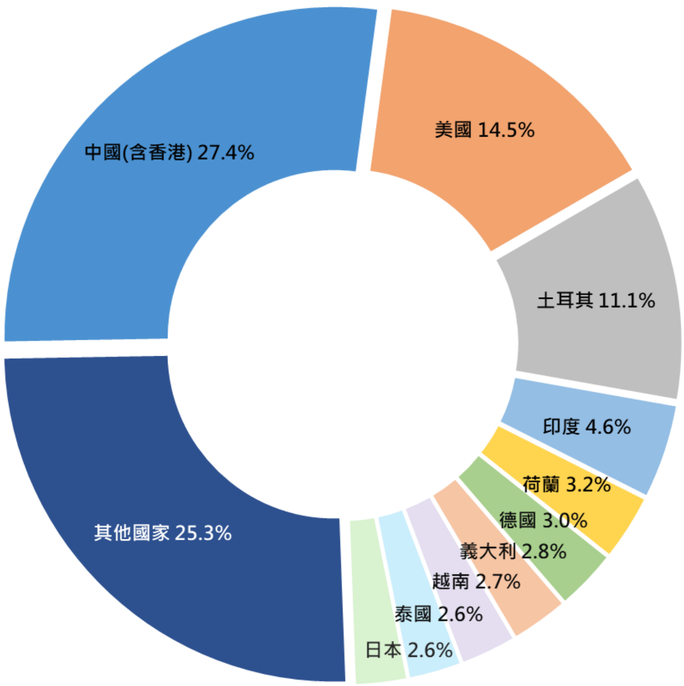
Table 2: Top Export Destinations for Taiwan Machine Tools for January to December 2023.

Unit: US$ Thousands

Grade	Destination	Amount of 2022/12	Amount of 2022/11	M-o-M		Amount from 2022/01-2022/12	Amount from 2021/01-2021/12	Y-o-Y	
1	China(Include Hong Kong)	64,795	69,813	-7.2%	▼	711,934	808,392	-11.9%	▼
2	United State	34,859	30,149	15.6%	▲	377,817	445,172	-15.1%	▼
3	Turkey	15,816	20,906	-24.3%	▼	289,793	254,359	13.9%	▲
4	India	13,491	7,410	82.1%	▲	120,688	93,494	-29.1%	▲
5	Netherland	4,706	5,084	-7.4%	▼	84,343	108,716	-22.4%	▼
6	Germany	5,955	3,273	81.9%	▲	78,218	79,144	-1.2%	▼
7	Italy	4,958	6,568	-24.5%	▼	73,450	104,609	-29.8%	▼
8	Vietnam	3,907	6,487	-39.8%	▼	71,366	116,909	-39.0%	▼
9	Thailand	4,632	4,538	2.1%	▲	67,474	87,869	-23.2%	▼
10	Japen	3,556	3,735	-4.8%	▼	66,555	78,649	-15.4%	▼
	Other Countries	51,981	50,900	2.1%	▲	657,801	845,947	-22.2%	▼
	Total	208,656	208,863	-0.1%	▼	2,599,439	3,023,260	-14.0%	▼

Source:Ministry of Finance of the Republic of China, Customs Appeal Tribunal；Organize: Taiwan Machine Tool & Accessory Builder's Association(TMBA)

The percentage of major exporting countries in 2023



Taiwan machine tool industry heavily relies on exports, with over 75% of its products sold outside of Taiwan. To meet the growing demand for machine tools in developing countries such as China, Central and South America, and India, the industry has established a Precision Machinery R&D Center and is collaborating with the Industrial Technology Research Institute to advance precision machinery technology. In addition, the Ministry of Economic Affairs has selected precision machine tools as a high-value-added emerging technology industry under the "Asia-Pacific Manufacturing Center Promotion Program," and industry players are working with the government and research institutions to promote the industry's development.

The Industrial Development Bureau of the Ministry of Economic Affairs will continue to assist industry players in diversifying their development, expanding into new application areas and new machine models, and developing high-end products such as horizontal machining centers, car-mill composite machines, precision gear machining machines, five-axis machining machines, and high-precision gantry machining machines. The bureau will also provide guidance to manufacturers in improving machine performance and developing intelligent value-added software, basic processes, heat affinity, mechanical performance testing capabilities, software, and cutting application technology. It will also strongly promote the emergence of five to ten machine tool giants with annual revenue of billions of dollars and enhance the added value of existing products such as lathes, vertical machining centers, and mold processing machines through software. By assisting in the development of new products, performance enhancement, and promoting industry-academic-research cooperation, the industry's technology and product quality are expected to improve.

Machine tools, also known as the "mother of machinery," encompass a wide range of processing capabilities, including turning, milling, grinding, shearing, laser processing, and PCB drilling and wafer cutting for the technology industry. They are an indispensable part of the manufacturing sector. According to analysis by the Machine Tool Association, next year's industry is expected to experience a decline in global production value and consumption amount due to ongoing economic and political uncertainties. The estimated figures for next year are USD 841 billion and USD 794 billion, respectively, representing a decline of approximately 3% to 6% compared to the current year.

Further analysis of the four major markets for the tooling industry in Taiwan shows that Southeast Asia and the United States are relatively prosperous markets. Taiwan, being in close proximity to the Southeast Asian market and benefiting from supply chain diversification after the pandemic, is expected to see an increase in tooling machine consumption. The United States market is also expected to benefit from the reshoring of manufacturing. However, the situation in the Chinese market is uncertain despite the lifting of restrictions, and the European market is suppressed due to the ongoing conflict between Russia and Ukraine.

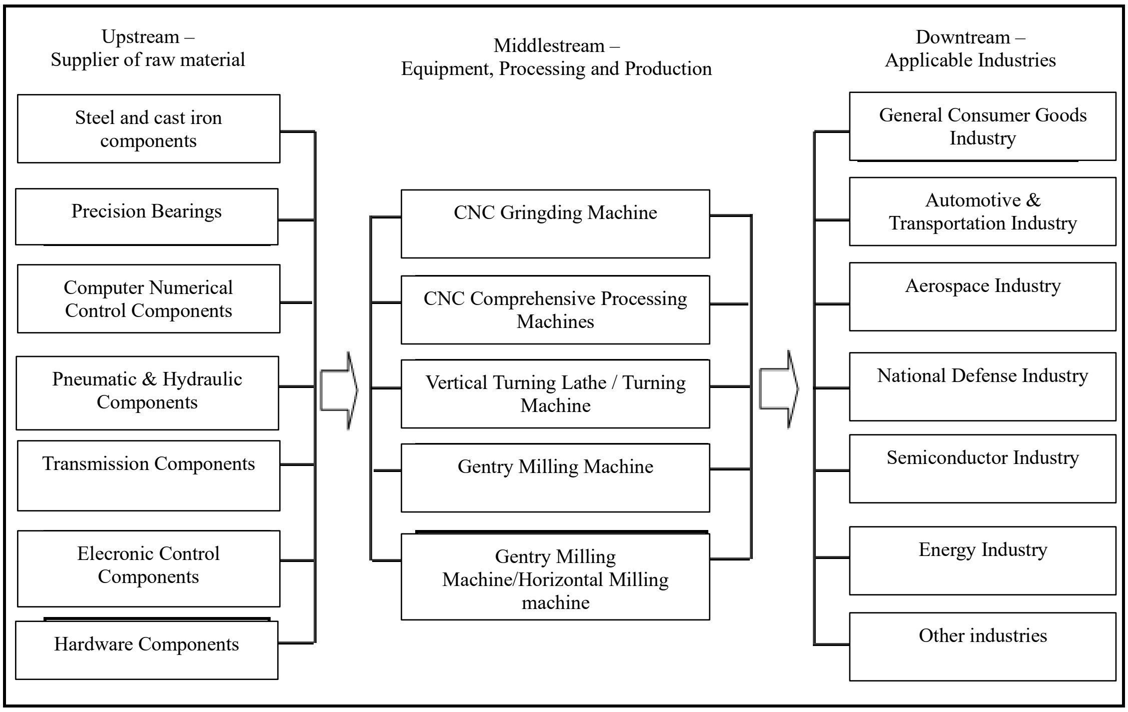
Outlook of this year's global market is quite challenging, mainly due to the negative impact of inflation caused by the pandemic and energy crisis, fiscal tightening, and financial pressure. Even though governments around the world are trying to minimize the impact, it seems difficult to avoid the economic slowdown, and the impact is expected to be felt in the first half of the year. However, looking at recent manufacturing Purchasing Managers' Index (PMI) data in Europe, Asia, and other regions, although it is still lower than the boom line that symbolizes economic growth, the rate of contraction is gradually easing. Additionally, the shrinkage rate of output and new orders has begun to slow down. Furthermore, the post-pandemic economic recovery in China is also a positive sign that can boost the industry's confidence in the future market outlook.

II.Relationship with Up-, Middle- and Downstream Companies

The machine tool is a manufacturing machine that combines various hardware and software components such as castings, precision materials, electrical control systems, and computerized digital controllers into a production and processing equipment, making it a crucial element in various industries such as general industrial, transportation, aerospace, defense, and semiconductor. Therefore, the machine tool industry plays a critical role in industrial development.

The domestic machine tool industry involves a complex manufacturing process, requiring numerous types and quantities of components. While some key components need to be purchased from foreign manufacturers, the remaining components can be supplied and processed by domestic cooperative manufacturers. Each manufacturer's central factory is responsible for assembly, testing, and other operations, thus closely integrating the production and manufacturing of machine tools through this professional division of labor.

The relationships with up-, middle- and downstream in the machine tool industry are as follows:



III.Various Product Development Trends

(1)Work remotely and remote customer service will become essential post-pandemic business models, driving the continuous growth of industrial robots, service robots, semiconductor equipment, and automation equipment demand.

(2)Responding to new opportunities in fields such as electric vehicles, low-orbit satellites, aerospace, green energy, healthcare, and semiconductors, the tooling industry will see high growth in application areas. While current mainstay products such as gantry grinders, precision surface grinders, and CNC grinders will remain popular, new technology trends such as mobile column precision surface forming grinders and composite vertical grinding centers and CNC Rotary Table Surface Grinding Machine will mature and become mainstay products.

(3)In the coming years, there will be a steady development of Industry 4.0. After the integration of IoT technology into production lines and cloud-based analysis, integration with ERP, supply chain, and CIM systems will lead to trends in more automated machinery and 3D printing.

(4)Businesses should accelerate the establishment of cross-border, cross-region, and diversified production bases to reduce supply chain risks and implement digital manufacturing. Establishing digital platforms and enhancing supply chain resilience will also be important.

IV.Products Competition

(1)Machine tool industry in Taiwan must actively respond to the changing demands of the Chinese market by aiming to enhance the processing accuracy (≦0.001mm) and reliability of machine tools, while developing multi-axis and compound functional machine tool products, such as horizontal machining centres, 5-axis machining centres, turn-mill centres, horizontal boring mills, and precision presses. By doing so, the industry can widen the technology gap with mainland China and maintain Taiwan's competitive advantage in the Chinese market.

(2)Taiwan's machine tool industry primarily targets the mid-range and low-end markets by emphasizing the high price-to-performance ratio (or C/P value). In contrast, Japanese machine tool manufacturers focus on the high-end and mid-high-end markets. Consequently, the depreciation of the Japanese yen has a significant impact on Taiwan's high-end machine tools, such as CNC vertical lathes or 5-axis integrated machining centres. The most fiercely competitive market will be the European and American markets that demand precision machining equipment. It is recommended that Taiwanese manufacturers avoid direct competition with Japanese machine tools in the short term and instead emphasize customization or after-sales service to increase product added value.

(3)Machine tool manufacturers in Taiwan mainly set up subsidiaries, dealerships, and offices in the US market, targeting local small and medium-sized outsourcing manufacturers scattered across various states. The US market increasingly values the intelligence of machine tools, and machine tool manufacturers around the world are gradually focusing on developing more intelligent solutions.

(4)Through mergers or acquisitions, machine tool industry players can integrate their resources and capabilities to expand their market presence and attract new customers. Going forward, the machine tool industry is expected to focus on developing automation machines, advanced control/motion control systems, digitization, Industry 4.0, and artificial intelligence in order to remain competitive in the global marketplace.

5.1.3.Research and Development

I.Research and development expenditures and the percentage of those expenditures to net operating revenue for the most recent fiscal year and the current fiscal year up to the date of printing: (consolidated)

Unit:NT$ Thousands, %

Year	2023	2022
Expenses of Research and Development	56,527	54,492
Net Operating Revenue	1,290,783	1,610,552
Intensity Ratio	4.38%	3.38%

II.Products developed

Year	Product developed	
2007 | 2023	1. Development of oil hydrostatic track machines. 2. Development of high-speed precision steel track machining machines. 3. Development of QP series BBT40 8000rmp spindle. 4. Development of FVL-20DT vertical lathes. 5. Development of heavy-duty gantry grinding machines (moving and fixed beams) 6. Development of FVG-1616 vertical grinding center 7. Development of 818HD lifting oil hydrostatic machines. 8. Development of the new AD grinder 1224TS series 9. Development of heavy duty gantry milling machines 10. Development of FTH-2436W wheel-specific machine tools 11. Development of QP3560/3572 series. 12. Development of FVL-1600 vertical lathes. 13. Development of heavy duty horizontal boring mills. 14. Development of heavy duty gantry FVM-DCL series.. 15. Development of FAG-4040 vertical grinding machines. 16. Development of nano oil hydrostatic CNC grinders. 17. Development of gantry five-axis machining centers. 18. Development of heavy-duty gantry grinding machines. 19. Development of FVL-2000 vertical lathes. 20. Development of universal grinders FSG-TS series. 21. Development of QP SMART integrated machining centers. 22. Development of FVM-3016DCL gantry milling machines. 23. Development of FVM-4016DCL gantry milling machines. 24. Development of 13-meter heavy duty gantry grinding machines. 25. Development of oil hydrostatic screw drive gantry grinding machines. 26. Development of Ultimate ultra-precision surface grinders 27. Development of vertical lathes FVL-850ATC. 28. Development of large lathes with rotary gear drive mechanisms.	29. Development of fixed beam-double column milling. 30. Development of SMART III CNC surface grinders.Development of automated production lines. 31. Development of EM series Vertical Machining Center. 32. Development of QP5X-400 five-axis Vertical Machining Center. 33. Development of FVM-B3116LB/LG. 34. Development of FBB-110 machines 35. Development of FVL-8P vertical lathes 36. Development of 2040/2460ADS 37. Development of FVM-3016DCL II. 38. Development of UNi5x-800 gantry five-axis machines 39. Shoemaking mold processing project 40. ADIV smart grinders 41. Double sided Fine grinder development 42. Development of FVL-15P vertical lathes. 43. Development of QP SMART II smart human-machine interface project 44. Development of FVM-40/50 series gantry grinding machine beam structure. 45. Development of FVG-10i internal grinding 46. Graphite processing machine development 47. Drilling machine development。 48. iBox software development。 49. Development of FMG-B1224 high-waist type。 50. Development of FVM-60 series gantry grinding machine beam structure。 51. Development of FMG-B1640 high-waist type. 52. SMART iControl 4 hardware and software features. 53. Development of FSG-2064ADIV grinder. 54. Fanuc AI thermal displacement correction. 55. Intelligent grinding auxiliary system. 56. Development of FSG-2448ADIV grinder. 57. Development of FSG-2464ADIV grinder. 58. Development of FSG-2480ADIV grinder. 59. Development of the FVGC-40/50/60 series Vertical Grinding Centers. 60. Development of the FSG-2048ADIV Grinder. 61. Development of the SMART-H2448IV Grinder. 62. Development of the SMART-H2480IV Grinder.

III.Future Development

The R&D department of Falcon Machine Tools CO., Ltd. uses advanced 3D software to effectively correct and inspect finite element analysis and dynamic simulation during the design process, ensuring that all machine models have optimal precision, toughness, and rigidity. The company maintains close cooperation with government agencies, private organizations, universities, and research institutions to maintain its leading position in professional technology.

High-speed cutting and high-precision feeding are the pursuit of machine tools, and the development of large-scale machine tools in response to market demand has become a new trend. Therefore, the company actively accumulates design and application technology to develop high-speed, high-precision, highly flexible, highly rigid, and high-value-added technology-based machine tools as the focus of research and development. The company also places control software and intelligent automated production lines as the focus of future R&D.

(1) Research Project and Desciption

Research Project	Research Content	Description
Grinding Machine	Development of Surface Grinder	1. Development of a grinder for the aerospace industry. 2. Development of SMART grinder software technology. 3. Execution of oil-static pressure spindle prototype project 4. Smart grinder machine function planning and Industry 4.0 integration 5. Commercialization of AD IV intelligent grinder 6. Commercialization of Double Shield Fine Grinders 7. Development of High-waist grinder 8. Grinding machine automation planning 9. SMART IV grinder commercialization with 15-inch screen (spindle balancing/intelligent direction switching) 10. Development of dynamic pressure spindle 11. Grinding end detection for grinder 12. Commercialization of FSG-2064ADIV grinder 13. Commercialization of FSG-2048ADIV grinder 14. Development of SMART-20 model 15. Development of SMART-24 series model 16. Development of FSG-24 series model 17. Development of FAUNC IHMI 18. Expansion of iMCS communication protocol with PROFINET 19. Plug in Semi-Auto program Machine 20. Development of Extrusion molding mechanism
	Development of Double Column Moving Beam Grinding Machine	1. Commercialization of vertical grinder models 2. Improvement project for the 60-series double column grinding machine 3. Development of built-in spindle
Milling Machine	Development of Machining Centers Product	1. Enhancement project on the quality and stability of QP machines 2. Commercialization of UNi5X-400 5 Axis Machining Center. 3. Development of QP intelligent technology (SMART/FANUC) 4. Commercialization of UNi5X-800 5Axes Gantry Type Vertical Machining Center 5. Development project for #40/50 ultrasonic spindle 6. Development project for single-machine automation of lathe-milling machines. 7. Development project of FPM-500G Gantry-Type Milling Machine. 8. Commercialization of QP Milling Machine for the 3C Industry 9. Development of FAUNC IHMI 10. Expansion of iMCS communication protocol with PROFINET 11. Plug in Semi-Auto program Machine
Turning Machine	Vertical Lathe Series Product Development	1. Development project for the automation of single-turret lathe 2. Development of FAUNC IHMI 3. Expansion of iMCS communication protocol with PROFINET 4. Plug in Semi-Auto program Machine

(2) Current progress, expected investment in R&D, estimated completion timeline, and key success factors for future R&D initiatives.

Unit:NT$ Thousands

R&D Projects	Project Title	Current Progress	Expected investment in R&D	Estimated Completion Timeline	Key success factors for future R&D initiatives
Grinding Machine	Development of Surface Grinder	Development of SMART intelligent machinery.	150	2024/06/30	1. Development of automated grinding mode 2. Software technology 3. Design for enhance mechanical rigidity of the main body
		Development of hydrostatic spindle	150	2024/06/30	1. Design for enhanced mechanical rigidity 2. Reduction of vibration frequency 3. High damping and cutting capacity 4. Extended spindle lifespan
		Development of SMART 20 machinery.	300	2024/12/30	1. Automated grinding mode 2. Intelligent pressure control 3. Workpiece can be ground on both sides simultaneously 4. Independent direct drive for upper and lower grinding disks and center gears, with forward and reverse rotation capability.
		Development of SMART 24 machinery.	500	2024/12/30	1. Automated grinding mode 2. Intelligent pressure control 3. Dual-sided grinding capability for workpieces 4. Independent direct drive of the upper and lower grinding disks and center gear with reversible operation.
		FSG-24ADIV series grinding machines	350	2024/8/31	1. Automated grinding mode 2. Intelligent pressure control 3. Dual-sided grinding capability for workpieces 4. Independent direct drive of the upper and lower grinding disks and center gear with reversible operation.
		Development of intelligent machine networking	300	2024/04/30	1.Intelligent development 2.Human-machine interface design.
		Development of Green Energy Consumption Statistics	250	2024/05/31	1.Intelligent development 2.Human-machine interface design.
	Double Column Fixed Crossrail Surface Grinder FSG-DC	Development of built-in spindle	250	2024/06/30	1.Development of built-in spindles 2.Enhanced rigidity 3.Reduced vibration frequency.
Milling Machine	Integrated Machining Center Product Development	QP Milling Machine (Commercialization for 3C Industries)	200	2024/06/30	1. Customized special interface 2. Dust-proof design 3. Special fixtures for the 3C industry 4. Control of spindle temperature rise
		Single-machine automation for lathe-milling machines	200	2024/12/30	1. Fixture design 2. Safety protection design 3. Machine stability 4. Cutting and chip removal design
		Commercialization of QP-SMARTII 15-inch	150	2024/06/30	1.Development of intelligent systems 2.Human-machine interface design
Turning Machine	Development of small vertical lathe series products	Development of Single Lathe Automation System	200	2024/12/30	1.High-rigidity box-type integral-formed column structure 2.Japanese-made alloy steel hard rail 3.High-rigidity spindle to maintain high precision 4.Equipped with automation 5.Robot arm with a smaller rotation radius

5.1.4.Long-term and Short-term Development

Item	Short-term Development	Long-term Development
Production, R&D, and Product Development Strategies	1. Standardization Tooling product and mass production: To meet the demand for multifunctional applications and shorten lead times, it is necessary to strengthen the standardization and mass production of tooling products to avoid over-customization that may lead to difficult production and delayed delivery. 2. Development of component commonality: Inventory risk of spare parts can be reduced through component commonality 3. Reduce waiting time and ensure accurate delivery: Communicate with supply chain vendors to improve the supply schedule, reduce waiting time, and ensure smooth production and accurate delivery. 4. Improve the development and improvement capabilities of mass-produced models: Actively develop and improve mass-produced models that are in line with mainstream market demand to increase business revenue. 5. Continue with FPS management: Improve the production process, reduce production costs, and improve the company's profitability through continuous FPS management.	1. Implementation of production capacity utilization to improve production efficiency: Based on customer demand, effective production planning and capacity utilization can be arranged, reducing ineffective working hours, and thus reducing production costs and improving the company's profitability. 2. Self-made or substitution of key components: Continued cooperation with industry, government, and academia to jointly develop key components to reduce reliance on foreign key components. 3. Establish a complete supply chain system: Establish a supply chain strategic alliance with upstream and downstream satellite factories to strengthen the professional division of labor system and enhance the value of the machine tool industry. 4. Development of high value-added products: Collaborate with academia to enhance the technical level and develop high value-added products to strengthen the company's competitiveness and ensure sustainable operation. 5. Product quality and automation: Through the introduction of new technologies and concepts, and the integration of high-tech automated equipment, continuous quality improvement and implementation of quality management are carried out to ensure high-quality products.
Marketing Strategy	1. Strengthen customer service capability and enhance customer satisfaction: Enhance education and training for marketing and customer service personnel, provide comprehensive training and guidance to dealers, implement after-sales service system, and establish good communication channels with customers to ensure the interests of both parties and enhance customer satisfaction. 2. Target special order needs and actively develop potential customers at home and abroad: Through product customization services and providing high-value-added high-spec products, actively develop potential customers at home and abroad and create competitive advantages. 3. Diversify customer base, adjust product lines and channels: Diversify order sources and production schedules, adjust product lines according to market demand and industry trends, and develop diversified channels based on product characteristics and production and sales flexibility to avoid operational risks caused by changes in the business environment and other factors.	1. Strengthening the company image: By improving the sales and service system, offering high-quality products, and enhancing the company's image, we aim to maintain the leading position of our grinding machines and elevate the brand value of "CHEVALIER". 2. Expanding overseas markets and promoting the "CHEVALIER" brand: Actively expand into the mainland China market and develop emerging markets while strengthening the global marketing service network. Additionally, we improve the management and operation of the official website for marketing to promote the "CHEVALIER" brand worldwide. 3. Increasing market share: By building a strong company image, enhancing brand value, and improving the production and sales system, we aim to gain customer trust and increase market share. 4. Managing customer credit: Implement effective credit management for customers, shorten the accounts receivable cycle, and reduce credit risks.
Financial Development Strategy	1. Reduce inventory and increasing operating cash flow: Effective production and sales management, along with efficient inventory control, will help to reduce inventory levels, increase cash flow, and improve working capital. 2. Improve financial ratios: By utilizing idle assets, reducing bank borrowing, and improving cost management and revenue growth, we can improve our financial structure and attract more investments to benefit all shareholders.	1. Strengthen the company's financial structure: Establish positive relationships with financial institutions, implement effective credit control measures, and manage various financial risks. 2. Fundraising: Exploring the capital market for low-cost capital has been pursued as a means of obtaining the funds necessary for future development 3. Investment planning: Evaluation and implementation of investment plans will strengthen the company's financial position, increase profitability, and provide benefits to shareholders and employees.

5.2.Market and Sales Overview

5.2.1.Market Analysis

I.Sales and service regions for the main products: (After the merger with Falcon)

Unit: NT$ Thousands

Region	2023		2022	
	Total	%	Total	%
Americas	516,935	40.05%	590,203	36.65%
Mainland China	427,886	33.15%	522,717	32.46%
Europe	133,572	10.35%	95,399	5.92%
Taiwan	70,233	5.44%	135,204	8.39%
Others	142,157	11.01%	267,029	16.58%
Total	1,290,783	100.00%	1,610,552	100.00%

II.Market Shares

Unit: NT$ Thousands

Item	2023	2022
Total sales value of metal cutting machine tools	97,611,380	122,061,000
Falcon individual business sales revenue	856,306	1,191,535
Market Shares of Company	0.88%	0.98%

Source: Compiled by Chevalier Machinery Inc. from the Statistics Department of the Ministry of Economic Affairs.

Explanation: The company's major product categories are metal cutting machine tools. According to the statistical analysis information from the Statistics Department of the Ministry of Economic Affairs, the total sales value of metal cutting machine tools in Taiwan in 2022 and 2023 was NTD 122,061,000 thousand and NTD 97,611,380 thousand, respectively. Therefore, according the individual sales values in 2022 and 2023, the market share of company's main product in the domestic metal cutting machine tool market was 0.98% and 0.88%, respectively.

III.Future supply and demand situation and growth potential of the market

The machine tool industry, often referred to as the "mother of machinery," plays a crucial role in various manufacturing processes, including automobile, milling, grinding, cutting, laser processing, and high-tech industries such as PCB drilling and wafer cutting. With the continuous development of global IT, information communication, aerospace, semiconductor, energy, transportation, and medical equipment industries, the demand for machine tools is expected to increase. Additionally, the rapid growth of industries such as automobiles, aerospace, electronics, IT, telecommunications, transportation infrastructure, and alternative energy in the mainland China region further contributes to the increased demand for machine tools. Despite the influence of economic fluctuations on global machine tool demand, as the economy stabilizes and related industries continue to progress and grow, the market demand for machine tools is expected to increase.

In 2023, the Taiwanese machine tool industry was influenced by global economic instability, inflation, high interest rates, geopolitical conflicts, and a post-pandemic recovery that fell short of expectations. From January to November 2023, total exports were $2.391 billion, a 13.5% decrease from the previous year. The conflicts from the Russia-Ukraine war to the Israel-Hamas conflict have disrupted food and energy markets across Europe and West Asia, leading to worldwide high inflation. The U.S. Federal Reserve's rate hikes to combat inflation introduced a period of high interest rates. These factors, along with a less than expected post-pandemic recovery in China, Taiwan's largest export market, and the ongoing devaluation of the Japanese yen, reduced the international competitiveness of Taiwanese machine tool components, causing a decrease in production value of over 10%.

Looking ahead to 2024, the Taiwanese machine tool industry expects to see opportunities despite the challenges, with economic conditions anticipated to stabilize at 2023 levels and production values aiming for slight growth, estimated at a 4.9% increase from 2023. It will be crucial to monitor potential changes in U.S. foreign policy following the presidential election, the possible intensification of the Russia-Ukraine and Israel-Hamas conflicts, the impacts of high interest rates on financial markets and economic downturns, the effects of green subsidies and carbon rights on global trade, and the future direction of Chinese policies. Despite such macroeconomic conditions, Fuyu Corporation will persist in its management and market expansion efforts. The focal points for the 2024 machine tool market are as follows:

Market Perspective: Global production bases are shifting from China to new emerging markets such as India, Mexico, and Eastern Europe, creating new manufacturing hubs and generating fresh demand for machinery and machine tools. It is vital to actively develop markets in Mexico, Canada, India, Turkey, and Poland to lessen dependence on the volatility of any single market.

Technical Perspective: The world is gearing up for the low-carbon era, and machine tools must evolve towards intelligent technologies and green transformation. Innovations in digitalization and automation, mastery of core technologies, improved production efficiency, and the incorporation of AI and eco-friendly technologies into products, combined with enhanced industry-academic collaboration, are essential to secure a workforce capable of adapting to new technological and market shifts.

Industry Perspective: Focus on industries such as aerospace, electric vehicles, semiconductors, new energy, and hand tools, tailoring product applications through solution sales, optimizing industrial solutions, and utilizing effective marketing strategies to enhance international visibility, meet client needs, and establish long-term stable customer relationships.

These are Falcon Corporation's key development initiatives for 2024, reflecting continued confidence in the machine tool market’s potential for growth.IV.Competitive advantages of company

(1) Industry status - "Stable foundation as a leading grinding machine company": Falcon Machine Tools CO., LTD has become the leading company in Taiwan's professional cutting tool grinding machine industry in terms of product line completeness, grinding machine technology research and development, and product marketability. The company also has considerable recognition in the international market.
(2) Quality advantage - "Self-created brand with excellent reputation 'CHEVALIER'": Falcon Machine Tools CO., LTD product brand "CHEVALIER" represents the advantage of excellent quality in the industry and user perception. The company has also obtained international standard product quality system certification, ISO 9001, and EU CE certification, as well as 57 patents and 66 trademark registrations.
(3) Product innovation: The company's development department has a complete talent pool and extensive design experience, enabling the company to design special specification machines that meet customer needs in a short time, which gives the company more opportunities to compete for orders with special requirements. The company's oil hydrostatic grinder has been developed and is available for customer needs, and its accuracy can meet the future demands of the nanotechnology market. In addition, the company's series of vertical lathes manufactured in cooperation with a well-known Japanese manufacturer has received automation and technology support from Japan, with great potential to contribute to sales revenue.
(4) Production of grinding, milling, and turning machines for molds or production purposes: As the demand for high-precision and high-quality products continues to grow in the market, the company's products are superior in terms of quality and precision compared to other competitors, providing a competitive advantage in the industry. In particular, the company has developed sub-micron, nanometer, and high-speed line grinding machines to meet the grinding needs of the IT industry.

(5) The company has established a global marketing network, sales and service system, and high-efficiency sales and service capabilities, allowing customers to use our products with confidence. The company has also strengthened the establishment of sales channels for large-scale and composite machines and strengthened sales and application capabilities. The company has expanded into key industries such as the electronics industry, stamping dies, aerospace, green energy, various transportation-related industries, and the IT industry, and provides orders for customized turnkey engineering projects, further enhancing its competitive advantages.

V.Favorable factors for the future development of the market:

(1) Changes in the World Factory and Reshaping of the Supply Chain:
In the post-pandemic era, policies governing global manufacturing are increasingly shifting towards decentralized production and local distribution. Manufacturers have relocated their global production bases from China to emerging markets such as India in South Asia, Mexico in North America, and Eastern Europe, thereby establishing new manufacturing hubs that may drive new demand for machinery and machine tools.

(2) Complete industrial center-satellite system:
The related center-satellite system of Taiwan's machine tool industry is fully complete. Except for a few key components that still need to be imported from abroad, all other related components can be self-sufficient, and supply can be completed within tens of kilometers. A good and sound center-satellite system helps Taiwan's machine tool industry to compete internationally.

(3) Increased demand in China for mid-to-high-end machine tools
Since 2003, China has become the world's largest importer of machine tools, indicating that China's demand for the machine tool market is gradually increasing. Currently, low-end machine tool demand in China is mainly met by local manufacturers improving quality and government support for Chinese-made machine tools. However, the high-precision and high-efficiency demands of mid-to-high-end machine tools still rely on imports from Germany, Japan, Taiwan, Switzerland, and other countries. Therefore, China's huge demand for machine tools has become a major market for countries to promote the affordability of high-end machine tools.

(4) Mature technology for self-made PC-BASED controllers:
Due to the ease of learning, operation, and maintenance, as well as relatively low cost, the PC-BASED controller for machine tools has great growth potential. Currently, the market demand for PC-BASED controllers is growing rapidly, and Taiwan, as a major producer of personal computers, has easier and lower-cost access to controllers and software than other countries. In addition, the ECFA has a sunset clause for imported controller products, so the development space for our self-made PC-BASED controllers is more helpful.

(5) "Dominate Europe and the United States, and look to Asia and Greater China":
Company's sales target markets include North America, Asia, Europe, Australia, China, Taiwan, and other regions. Among them, North America, Western Europe, and China are the main sales regions. Looking ahead, the demand for machine tools in Europe and the United States is still growing after the financial storm. At the same time, emerging markets such as China, India, Turkey, Vietnam, South Korea, Brazil, Mexico, and Russia have high demand for machine tools and are also niche markets for our company's future growth. Other markets such as Eastern Europe and Central and South America also have great development potential. China is the fastest-growing market. After years of extensive and meticulous market layout, the visibility of our products has improved significantly in a short period of time. The growth opportunities are also relatively large, especially in recent years, the rapid growth of China's automotive industry and various transportation equipment has driven the high-speed growth of machine tool demand, so the development potential of the Chinese market cannot be ignored. With the addition of our factory in China, the development space for our products in the Chinese market is further expanded.

VI.Adverse factors and coping strategies for market development prospects:

(1) Domestic shortage of technical talent and experienced labor in the market has led to the dilemma of insufficient productivity. In addition, the government is gradually adjusting welfare policies, increasing national health insurance premiums, and raising the basic wage, causing an increase in operating costs.

【Countermeasures】:

1. Hiring foreign workers and actively strengthening employee education, technical training, and improving the overall working environment, allowing employees to work safely and comfortably in the company. Also, outsourcing operations to make up for the shortage of manpower.
2. Increase investment in automation equipment to reduce labor demand. Adopting FPS and refined production methods to improve work efficiency and reduce production costs.

(2) The demand for precision, quality, and performance of machine tools in the market is increasing, and some technical levels cannot be overcome by domestic or internal capabilities, making it more difficult to develop new products.

【Countermeasures】:

1. Cooperate with foreign companies with higher technical levels to introduce advanced technology to enhance product performance, increase precision, and strengthen competitiveness.
2. Collaborate with domestic academic research units to overcome the shortage of technical capabilities through continuous research and development, improvement, and impact of new knowledge and new thinking to ensure product quality, consolidate brand advantages, and corporate reputation.

(3) The company's products are mainly exported, so exchange rate fluctuations have a greater impact on the company. Machine tool exports are facing more complicated international competition and are facing a significant depreciation of the Japanese yen by more than 35%, which will affect international buyers' orders from Taiwan.

【Countermeasures】:

1. When setting prices for the company's products, consider exchange rate factors. If there is significant exchange rate volatility, adopt forward foreign exchange sales or adjust product prices to make the exchange rate risk moderately shared by dealers or buyers.
2. Collect information on exchange rate fluctuations at any time, fully grasp the trend of exchange rate fluctuations to avoid risks.

(4) Some components rely on foreign suppliers. Currently, the domestic machine tool key component controller relies on foreign manufacturers to supply. The controller system is the core of the machine tool and is controlled by foreign companies, which is not conducive to the development of the industry.

【Countermeasures】:

1. Diversify risks by purchasing from Japanese companies, as well as other countries such as the United States, Germany, and Spain.
2. Devote to cultivating and rooting the talent of the electrical control system and actively promote the development of self-developed PC-BASED controllers.
3. The development of 5-axis machine tools has been completed. Currently, it is still expanding to universal grinding machines and comprehensive processing machines. Also, it continues to improve and enhance hardware and software functions. Combining the cooperation of domestic production, government, research, and academic circles to develop key technologies to reduce dependence on foreign controllers.

5.2.2.Supply of Main Raw Materials

The main products rely on domestically sourced components such as cast iron, sheet metal parts, controllers, motors, and precision bearings, with some components sourced from abroad. The company has maintained good relationships with suppliers, ensuring stable prices. Overall, there are multiple domestic and international suppliers for the main raw materials, enabling stable prices and quality. However, to mitigate procurement risks, the company periodically seeks to diversify the supplier base.

Details of the usage and supply of these materials are presented in the table below:

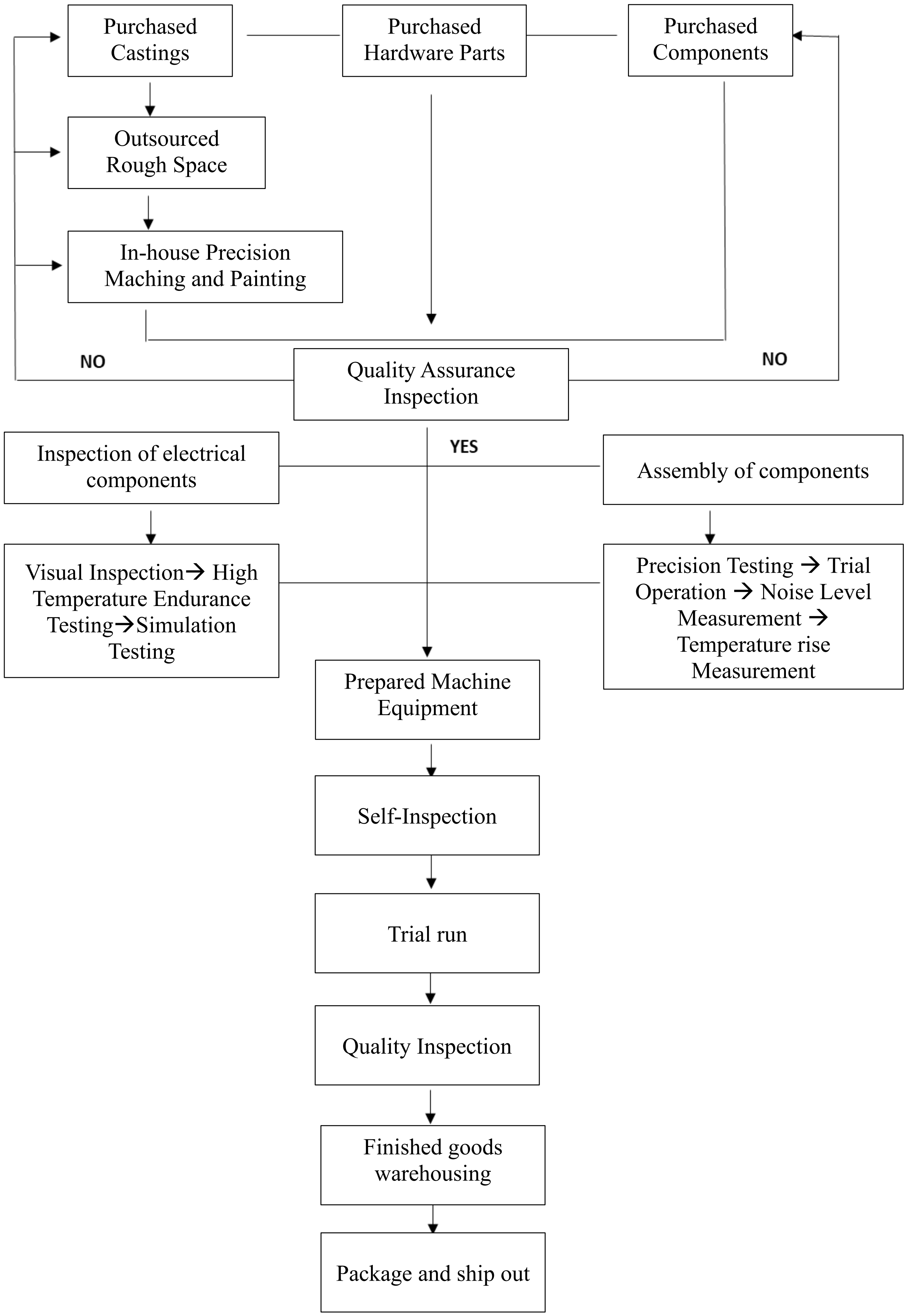
Name of Raw Material	Main Source	Supply Situation
Castings	Domestic casting suppliers	Production lead time of three months, delivery based on order delivery date
Sheet metal parts	Domestic sheet metal suppliers	Delivery based on order delivery date
Numerical controllers	Imported from Japan's FANUC company and Mitsubishi (ordered through Taiwan's FANUC and Mitsubishi) Europe: Heidenhain, Siemens, and FAG controllers	Delivery lead time: 4-5 months for FANUC, 2-3 months for Mitsubishi, 6-8 months for Siemens, 6 months for Heidenhain, and 3 months for FAG
Motors	Domestic suppliers such as Delta and Fuji Electric (excluding stepper and servo motors)	Delivery based on order delivery date
Precision bearings	Domestic component suppliers, imported from Japan's NSK and NTN, and from Europe's SKF and Schaeffler	Delivery based on order delivery date, with a delivery time of three months for orders

5.2.3.Production Procedures of Main Products

I.Major Products and Their Main Uses

Products	Function	Applicable Industries	Features and Characteristics
Grinding Machine	Sharpens cutting tools such as drills, milling cutters, and lathe tools, as well as grinding metal and non-metal parts with high-precision flat and groove forming	Suitable for the grinding processing industry, grinding superhard materials, precision mold industry, semiconductor industry, and various kinds of punch grinding and continuous mold.	High precision, high rigidity, easy operation, and automation.
CNC Grinding Machine	Shapes and grinds metal and non-metal parts into special shapes, such as deep cuts and relief grinding.	Suitable for the electronics industry, aerospace industry, mold industry, 3C industry, punch and bar industry, automotive and motorcycle parts industry, precision parts industry, grinding processing industry, molding contour grinding, etc.	Complex grinding processing and automated production processing, high rigidity, high precision, molding grinding, wheel shape trimming, heavy cutting processing, and efficiency improvement. Suitable for heavy cutting grinding, high surface quality, or high hardness material needs.
Portal Grinding Machine	Suitable for grinding large metal and non-metal machine tool bases, large template workpieces, rail precision grinding, and large castings	Heavy duty of grinding processing industry, large-scale casting plane & rail, ultra-large automotive grinding tool industry, TFT grinding tool industry.	Large-scale flat, high-height concave and convex precision flat processing, beam-type mobile door-type, independent "square group" door-type design, optimal design, high precision, and high rigidity.
CNC Turning Machine	Suitable for circular workpieces, shapes, thread, and taper processing of metal and non-metal parts.	Automotive industry, petrochemical industry, hardware industry, 3C electronics industry, general processing industry, turning processing industry, and general circular workpiece processing	An ergonomic design for human-machine operation interface, high rigidity mechanical structure design, Japanese technical cooperation, fast and accurate positioning, and rapid processing of large circular workpieces with a simple appearance.
Vertical lathe	circular workpieces, shapes, thread, and taper processing of metal and non-metal parts.	Suitable for turning processing industry, general circular workpiece processing industry, automatic production line wiring processing industry, automotive and motorcycle parts, electrical industry parts, wheel industry, brake discs, petroleum (oil energy) industry, wind power generator industry	Short workpiece, high precision processing, automatic scheduling processing, small floor space, increased factory utilization efficiency, well-designed chip removal, special square hard steel rail design, providing the best cutting steel properties. Multiple machines can be used for joint layout, making operation and workpiece lifting more efficient. It has super high precision and high steel properties and can perform automatic production line mass production operations.
CNC Vertical machining centers	suitable for milling, drilling, tapping, and special shaping of metal and non-metal parts	widely used in the automotive industry, hardware, mold processing industry, aerospace industry, electronic industry, home appliances industry, hydraulic components, and general parts processing industry. These machines are ideal for general machining, and they are designed with excellent rigidity to eliminate vibrations caused by heavy cutting. The feed system also offers high rigidity and accuracy	High rigidity and accuracy in their feed system, making them suitable for high-efficiency machining and achieving high surface quality even for parts with high hardness. Additionally, they are easy to operate and allow for fast workpiece changeover.

II.Major Products and Their Production Processes



5.2.4.The top 10% suppliers or customers based on their purchasing or sales amounts as a percentage of the total amount in any one of the past two years, including their names, purchase or sales amounts, and corresponding percentages.

I.Major sales customer's information in the most recent 2 fiscal years:

Unit: NT$ Thousands

Year	2023				2022			
Item	Name	Amount	Percentage of net sales for the entire year (%)	Relation with Issuer	Name	Amount	Percentage of net sales for the entire year (%)	Percentage of net sales for the entire year (%)
	Net Sales	1,290,783	100.00	None	Net Sales	1,610,552	100.00	None

Note: Sales to individual customers whose sales amount does not exceed 10% of the total sales amount are not included.

II.Major supplier's information in the most recent 2 fiscal years:

Unit: NT$ Thousands

Year	2023				2022			
Item	Name	Amount	Percentage of net sales for the entire year (%)	Relation with Issuer	Name	Amount	Percentage of net sales for the entire year (%)	Relation with Issuer
	Net Purchase	947,693	100.00	None	Net Purchase	1,309,449	100.00	None

Note: Individual supplier's purchases accounted for less than 10% of the total purchase amount.

5.2.5.Production Volume and Value in the Most Recent 2 Fiscal Years:

Unit: Machone: NT$ Thousands

Year / Major Product	2023			2022		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
General Grinding Machine	250	225	71,009	610	470	449,418
CNC Grinding Machine	300	267	300,762	100	57	122,634
CNC Machine Center	100	63	85,595	120	123	134,809
CNC Turning Machine	50	24	26,745	50	33	36,814
Vertical Turning Lathe	12	5	46,712	50	15	54,531
Gantry Grinding Machine	10	7	44,105	10	15	81,511
Gantry Milling Machine	5	2	14,393	10	0	1,209
Others	-	-	631,473	0	0	250,665
Total	727	585	1,220,795	950	713	1,131,590

5.2.6.Sales Volume and Value in the Most Recent 2 Fiscal Years

Unit: Machone: NT$ Thousands

Year / Major Product	2023				2022			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
General Grinding Machine	8	14,427	289	434,797	8	17,608	505	533,911
CNC Grinding Machine	4	9,360	58	177,893	11	48,440	80	220,484
CNC Machine Center	5	6,694	124	204,201	18	29,289	170	272,729
CNC Turning Machine	0	0	40	68,296	0	0	49	81,223
Vertical Turning Lathe	0	0	5	42,235	0	0	16	56,120
Gantry Grinding Machine	0	0	14	114,836	0	0	14	103,859
Gantry Milling Machine	0	0	0	0	0	0	0	0
Others	0	39,752	1	178,293	0	39,987	0	206,902
Total	17	70,233	531	1,220,549	23	135,324	658	1,475,228

5.3.Human Resource

5.3.1.Employee Statistic for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date of Falcon Machine Tools CO., LTD:

Fiscal Year		2022	2023	As of 2024/03/31 of the current fiscal year
Number of Employees	Direct Labor	20	19	19
	Indirect Labor	147	148	146
	Total	167	167	165
Average Age		43.01	46.49	46.77
Average Year of Service		12.15	12.83	13.23
Education distribution percentage	Ph.D.	0%	0%	0%
	Master’s degree	10.77%	8.98%	9.09%
	College	59.28%	61.08%	61.22%
	Senior High School	28.74%	28.74%	28.48%
	Below Senior High	1.21%	1.20%	1.21%

Note: This analysis data is for a single company, the parent company Falcon Machine Tool CO., LTD which is not include students from vocational schools and foreign workers.

5.4.Environmental Protection Expenditure

5.4.1.In recent years and up to the date of printing this annual report, the company's environmental protection operation at the factory has been operating normally, and no pollution disputes or losses or remuneration due to environmental pollution have occurred.

5.4.2.Countermeasures

1. Future countermeasures (including improvement measures) and possible expenses: None.
2. The company has established relevant management measures for various environmental protection measures, such as wastewater discharge management, air pollution prevention and control, labor safety and health, and occupational hazard prevention and treatment, to ensure the safety of employees and prevent environmental pollution.
3. The EU's Restriction of Hazardous Substances Directive (RoHS) does not apply to the products produced by the company.

5.5.Labor Relations

5.5.1.Employee welfare measures, retirement system implementation, and the situation of agreements between labor and management in the company:

I.Employee Benefit Plans

The company was approved for establishment by the Taichung County Government on June 29, 1989 under letter No. 913 of the Labor and Welfare Bureau, and is committed to promoting various employee benefit plans, as follows:

(1)Employee insurance, national health insurance, and regular body check-ups.
(2)Nutritionally balanced meals provided by dedicated food service personnel.
(3)Single dormitory rooms are available, with free 24-hour hot water and air conditioning.
(4)Birthday celebrations with a gift for the celebrant.
(5)Provision of work uniforms.
(6)Welfare funds are allocated to the employee welfare committee for beneficial activities such as outings, competitions, and other mental and physical activities.
(7)Wedding, funeral, and other celebratory occasions are acknowledged with gifts and condolences.
(8)The company provides gifts to all employees during Labor Day and three major festivals.
(9)Employees who have completed five years of service receive a bonus and the opportunity to travel overseas.
(10)Periodic in-house training activities are held and are open for voluntary participation.
(11)When the company is profitable, employee remuneration is allocated in accordance with the law.

II.Retirement system and the status of their implementation

Before 1987, the company set aside a retirement reserve fund of 3% of the total salary paid annually, which was listed as a liability. After 1987, in accordance with the provisions of the Labor Standards Act, the company set aside a retirement reserve fund of 2% of the total salary paid annually, which was deposited and used in a special account supervised by the Labor Retirement Reserve Supervision Committee. Since September 2010, the retirement reserve fund contribution rate has been raised from 2% to 6% of the total salary paid annually to enrich the retirement reserve fund. The company has been following the Financial Accounting Standards Board Statement No.18 "Accounting Treatment for Retirement Benefits" since the end of 1996. The Labor Retirement Benefits Act was implemented by the company since July 1, 2005, with a defined contribution plan. After implementation, employees can choose to apply the retirement benefits regulations under the Labor Standards Act or the retirement benefits system under the Labor Retirement Benefits Act and retain their work seniority before the implementation of the Act. For employees covered by the Act, the company's monthly contribution rate for employee retirement benefits shall not be less than 6% of the employee's monthly salary.

The company calculates the amount of the old retirement reserve fund to be fully funded at the end of the year and sets aside the necessary amount of the old retirement reserve fund in accordance with the law. In 2022, the company set aside more than 20.2 million NT dollars for retirement reserve fund. In 2021, the company set aside more than 23.7 million NT dollars for retirement reserve fund.

III.Continuing Education and Training

(1) To enhance the quality of human resources and develop competitive advantages, the company has established "Employee Education and Training Regulations" and "Internal Lecturer Appointment and Removal Regulations" as a foundation for sustainable management and development.
(2) The company provides internal and external training programs, including pre-job training for new employees, and arranges courses based on employees' job-related fields. Employees may also apply for training subsidies based on their interests, abilities, and career plans.
(3) The company actively collaborates with multiple schools, including National Shiou Shuei Senior Industrial Vocational High School and National Formosa University to cultivate talent in the mechanical and other related fields.
(4) The company maintains good labor-management relationships with smooth communication and has not experienced any major labor disputes.

The implementation status of Falcon’s employee education and training for the year 2023 is as follows:

Total Number of Training Courses		Total Training Hours (HR)	Annual Education and Training Expenses (NTD)
Internal	69	167.25	0
External	21	304	163,680

5.5.2. Any losses suffered by the company due to labor disputes in the past two years and estimated amount or measures need to be taken in the future: None

5.5.3. Employee Conduct or Code of Ethics

The company established the "Employee Code of Conduct" on December 12, 2012, which includes the principles of integrity, fairness, working environment, prevention of conflicts of interest, avoidance of opportunities for personal gain, fair trade, prevention of insider trading, confidentiality, information integrity, protection and appropriate use of company assets, political donations and activities, copyright, encouragement to report any illegal or violation of the code of conduct, disciplinary measures and exemption procedures, etc. All employees of the company (including subsidiaries) are subject to this code of conduct and regulated by it. In addition, the company has also established employee work rules and various internal management regulations and measures as guidelines and follow-up for employees' daily work behaviors. At the same time, to implement these regulations and measures, the company also has a sound system of rewards, disciplinary measures, and personnel evaluation committees. All cases of rewards and disciplinary measures are processed in accordance with the principles of fairness, impartiality, and openness and are included as the basis for mid-year and year-end assessments.

5.5.4. Environmental and employee safety protection measures

(1) The company has a safety office whose members hold a license as labor safety and health managers. The company also strictly complies with labor laws and regulations, including the Labor Standards Act and the Occupational Safety and Health Act, to ensure a safe and healthy working environment for its employees.

(2) According to the regulations on public safety inspection and reporting of buildings, a professional company is commissioned every two or four years to conduct public safety inspections. In addition, the company also outsources annual fire safety inspections and regularly maintains and inspects various equipment such as air conditioning, fire extinguishers, and evacuation facilities in accordance with labor safety and health regulations.

(3) The company regularly conducts environmental monitoring of air, water quality, noise, and lighting in the workplace in accordance with the "Operational Environment Monitoring Management Procedure". In addition, the company also regularly inspects and tests various equipment or facilities in the workplace with potential hazards to comply with or exceed regulatory requirements, to ensure the health and safety of its employees and to prevent harm.

(4) Safety warning signs and symbols are placed throughout the company's factory to remind employees to pay attention to their own safety.

(5) The company regularly conducts self-defense and firefighting drills, evacuation drills, basic first aid training, and emergency response drills every year to ensure that employees can take correct measures during emergency situations, protect their own safety, and reduce company losses in case of disasters. After each training, deficiencies are identified, and improvement measures are taken.

(6) To ensure employee safety, the company is legally insured for labor insurance (including occupational accident insurance), national health insurance, travel insurance, and group insurance. The company also regularly conducts health checkups for its employees. In the event of an employee injury or accident, the personnel department will assist with related insurance matters.

(7) The company has established SOP procedures and manuals for various work operations (e.g., crane operation SOP, forklift operation SOP, various types of machinery operation SOP, electrical equipment operation SOP, etc.) and requires employees to follow them during their work. In addition, the company periodically holds various internal SOP education and training sessions to reduce the probability of work safety incidents and to ensure that employees perform their duties safely.

(8) The company provides equal job opportunities to job seekers and all employees, safeguarding employees' basic human rights. The company also periodically promotes policies and measures to prevent sexual harassment and gender equality in the workplace and provides channels for labor complaints to create a working environment with gender equality.

(9) Through the operation of the company's employee welfare committee, outdoor trips, family days, parties, movie screenings, and other activities are organized, and various activity clubs (badminton club, fishing club, baseball club, etc.) are established to improve employees' physical and mental health and enrich their lives.

(10) The company has a labor-management committee that coordinates labor-management relations through meetings, communication, and counseling, promotes labor-management cooperation, improves working conditions, prevents labor-management problems from occurring in advance, and improves work efficiency and guarantees the rights and obligations of both labor and management.

5.6.Cyber Security Management

5.6.1.Cyber Security Risk Management Framework:

The cyber security is responsible for the organizational management of information security risk in the company. The department consists of one information director and several professional information security personnel, who are responsible for developing internal information security policies, planning and implementing information security operations, promoting and implementing information security policies, and regularly reporting the company's information security governance to the Audit Committee.

The Audit Department of the company plays the role of supervisory unit for cybersecurity risk and is responsible for overseeing the implementation of internal information security. The department is headed by one audit supervisor. If any deficiencies are identified during the audit process, the audited unit is required to propose appropriate improvement plans and take concrete actions to address them. The Audit Department regularly monitors the effectiveness of these improvements to mitigate internal information security risks

Related cooperating companies:

Company Name	TEL	Task Scope
IBM	04-23241533 0800-055055	AS/400 mainframe hardware and software
DATA SYSTEMS CONSULTING CO., LTD.	04-23267345	TIPTOP server software/hardware and electronic form.
Symphox Information.	04-23280881	Firewall
Chunghwa Telecom Co., Ltd.	04-25266744	Internet dedicated line, VPN connection

5.6.2.Cyber Security Policies

The cyber security policies and specific plans of the company include three aspects:

(1)Regulatory framework: The company has established an information security management system to regulate the behavior of personnel in their work.

(2)Technological applications: The company has implemented information security management equipment and measures, to ensure the security of company information.

(3)Staff training: The company regularly conducts information security education and training to enhance the awareness and knowledge of all employees regarding information security.

Concrete Management Programs:

(1)System crash processing procedures:

- I.Notify relevant department personnel to go offline and suspend all operations.
- II.The information team interprets the ERROR CODE on the host panel according to the IBM/TIPTOP maintenance manual and handles it.
- III.If the information team is unable to handle it, immediately contact the IBM/TIPTOP maintenance personnel by phone to guide the information team on the troubleshooting method to eliminate the fault.
- IV.If the above steps cannot be handled, contact IBM/TIPTOP maintenance personnel to come to the company for repair, testing and recovery until completion.

(2)Natural disaster handling

- I.The computer room is equipped with drainage facilities and fire extinguishers, and the building is equipped with lightning rods.
- II.If the host is damaged: perform data backup monthly and system backup quarterly for recovery and testing.
- III.If the host is damaged: a contract is signed with IBM/TIPTOP to enable the company's computers to operate normally in the shortest time.

(3)Recovery Testing

- I.OS testing: guided by IBM/TIPTOP information team or IBM/TIPTOP maintenance personnel.
- II.Application system testing: conducted by the information team.
- III.Record the test result.

5.6.3.The company has not suffered in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken.

5.7.Important Contracts

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year:

Nature of contract	commencement dates and expiration dates of supply contract	Major Content	Restrictive clauses
Joint Credit Agreement	2023.05.17 | 2028.05.16	1. Total credit limit: NT$850 million. 2-1. Loan interest rate: Based on the reference rate (the dynamic interest rate for one-year fixed deposits posted by Chunghwa Post) plus an annual premium of 1.05% for interest calculation. If the pre-tax net interest rate is less than 0, an additional 1.15% is added. 2-2. During the credit term, the interest rate for all credits must not be lower than 2% annually; otherwise, the pre-tax loan interest rate shall be 2%. 3-1. The mid-term guaranteed loan of NT$550 million under item A cannot be recycled. The first installment must be repaid 18 months from the day of utilization, thereafter every 3 months for one installment (divided into 15 installments). From the first to the sixth installment, each installment repays 5%, from the seventh to the eleventh installment, each repays 6.5%, from the twelfth to the fourteenth installment, each repays 9%, and the fifteenth installment repays 10.5%. All funds must be utilized within 3 months from the first day of use, otherwise the unused amount will be automatically cancelled. 3-2. The mid-term guaranteed loan of NT$300 million under item B (recyclable) must be repaid with the first installment completed within 36 months from the date of utilization, thereafter every 3 months for one installment (divided into 9 installments). Each of the first 8 installments decreases the credit amount by 6.25%, and the ninth installment decreases the credit amount by 50%. Additionally, each borrowing period under item B must not exceed 180 days, and the maturity date must not exceed the expiration of the credit term.	1-1. Financial Ratios: A. Current Ratio (Current Assets / Current Liabilities) must not be below 100%. B. Debt-to-Equity Ratio (Total Liabilities / Tangible Net Worth) must not exceed 200%. C. Interest Coverage Ratio must not be less than 3 times. D. Tangible Net Worth must not be less than NT$800 million. 1-2. Financial ratios are determined based on the consolidated financial statements that are audited and certified annually by accountants and reviewed semi-annually by accountants. These ratios are assessed semi-annually. 1-3. The annual financial statements are inspected on March 31st each year, and the semi-annual financial statements are inspected on August 15th each year. Based on the audited/reviewed annual/semi-annual consolidated financial statements, if any financial ratio fails its semi-annual check, an additional 0.25% will be added to the loan interest rate.
Contract Parties			
There are a total of 8 financial institutions: 1.Taiwan Cooperative Bank (HeMei Branch) 2.Taiwan Business Bank (Beitun Branch) 3.Hua Nan Bank (Feng Yuan Branch) 4.Mega International Commercial Bank (Bao Cheng Branch) 5.Taichung Bank (Daya Branch) 6.Agricultural Bank of Taiwan (Kaosiong ranch) 7.The Shanghai Commercial & Savings Bank (Taichung Branch) 8.Chang Hwa Bank (Puli Branch)			
Contract for Co-Construction of House	Sign on 2021.12.05	Land co-development project of No. 401, Wudong Section, Guiren District, Tainan City.	None
Contract Parties			
Taiwan Sugar Cooperation			
Comprehensive Credit Agreement	2022.11.29 | 2025.11.29	Land co-development project of No. 401, Wudong section, GuiRen District, Tainan City.	None
Contract Parties			
King’s Town Bank			

VI.Financial Information

6.1.Five-Year Financial Summary

6.1.1.Condensed Balance Sheet of Comprehensive Income

Unit: NT$ Thousands

Item \ Year		Financial Information for Most Recent 5 Fiscal Years				
		2019	2020	2021	2022	2023
Current Assets		893,858	881,472	1,032,114	1,117,540	1,581,839
Property, Plant and Equipment		330,220	307,649	302,057	190,914	180,758
Intangible assets		5,744	6,006	9,459	10,769	5,333
Other assets		775,087	788,769	795,115	759,941	775,164
Total assets		2,004,909	1,983,896	2,138,745	2,079,164	2,543,094
Current liabilities	Before distribution	867,812	589,444	672,882	865,772	554,758
	After distribution	867,812	589,444	672,882	865,772	554,758
Noncurrent liabilities		302,739	612,012	654,732	392,419	582,677
Total liabilities	Before distribution	1,170,551	1,201,456	1,327,614	1,258,191	1,137,435
	After distribution	1,170,551	1,201,456	1,327,614	1,258,191	1,137,435
Equity attributable to owners of the parent company		No applicable				
Capital Stock		768,803	768,803	768,803	768,803	1,068,803
Capital surplus		11,460	11,460	11,460	11,460	178,260,
Retained Earnings	Before distribution	90,642	50,314	84,784	64,561	183,821
	After distribution	90,642	50,314	84,784	64,561	183,821
Other equity		(36,547)	(48,137)	(53,916)	(23,851)	(25,225)
Non-controlling interest		No applicable				
Total equity	Before distribution	834,358	782,440	811,131	820,973	1,405,659
	After distribution	834,358	782,440	811,131	820,973	1,405,659

6.1.2.Condensed Statement of Comprehensive Income

Unit: NT$ Thousands/Earning per share

Item \ Year	Financial Information for Most Recent 5 Fiscal Years				
	2019	2020	2021	2022	2023
Revenue	921,540	690,828	1,055,120	1,191,535	856,306
Gross profit	208,957	125,100	203,807	242,688	177,570
Operating Income	5,757	(32,635)	21,780	20,567	(32,253)
Non-operating Income and Expenses	(16,204)	(6,583)	12,869	(22,771)	191,597
Profit Before Income Tax	(10,447)	(39,218)	34,649	(2,204)	159,344
Net income from the period from continuing operations	(12,515)	(38,882)	33,900	(22,995)	115,652
Ner income(loss) for the period	(12,515)	(38,882)	33,900	(22,995)	115,652
Other comprehensive income (loss) for the period (net of income tax)	(17,035)	(13,036)	(5,209)	32,837	2,234
Total comprehensive income for the period	(29,550)	(51,918)	28,691	9,842	117,886
Net Income Attributable to shareholders of the parent	Not applicable				
Net Income (Loss) Attributable to Non-Controlling Interest	Not applicable				
Total comprehensive income attributable to owners of parent	Not applicable				
Total comprehensive income, attributable to non-controlling interest	Not applicable				
Earnings Per Share	(0.16)	(0.51)	0.44	(0.30)	1.44

6.1.3.Condensed Balance Sheet and Income Statement – Enterprise Accounting Standards of the R.O.C

Unit: NT$ Thousands

Item \ Years		Financial Information for Most Recent 5 Fiscal Years				
		2019	2020	2021	2022	2023
Current assets		1,471,995	1,486,041	1,737,809	1,790,097	2,134,057
Property, Plant and Equipment		465,001	425,247	408,086	293,688	283,259
Intangible assets		6,130	6,006	9,588	10,960	5,885
Other assets		381,370	401,881	375,123	378,479	506,169
Total assets		2,324,496	2,319,175	2,530,606	2,473,224	2,929,370
Current liabilities	Before distribution	1,033,515	866,817	934,697	1,143,551	776,030
	After distribution	1,033,515	866,817	934,697	1,143,551	776,030
Non-current liabilities		456,623	669,864	784,778	508,700	747,681
Total liabilities	Before distribution	1,490,138	1,536,735	1,719,475	1,652,251	1,523,711
	After distribution	1,490,138	1,536,735	1,719,475	1,652,251	1,523,711
Equity attributable to shareholders of the parent		834,358	782,440	811,131	820,973	1,405,659
Share capital		768,803	768,803	768,803	768,803	1,068,803
Capital surplus		11,460	11,460	11,460	11,460	178,260
Retained earnings	Before distribution	90,642	50,314	84,784	64,561	183,821
	After distribution	90,642	50,314	84,784	64,561	183,821
Other equity interest		(36,547)	(48,137)	(53,916)	(23,851)	(25,225)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	834,358	782,440	811,131	820,973	1,405,659
	After distribution	834,358	782,440	811,131	820,973	1,405,659

6.1.4.Condensed Comprehensive Income Statement - Enterprise Accounting Standards of the R.O.C

Unit: NT$ Thousands/Earning per share

Item \ Years	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	1,376,241	1,116,868	1,607,091	1,610,552	1,290,783
Gross profit	374,845	256,095	389,264	403,869	366,115
Operating income	1,610	(37,937)	45,977	15,336	(38,358)
Non-operating income and expenses	(4,158)	(1,897)	6,301	(2,651)	208,100
Net income (net loss) before tax	(2,548)	(39,834)	52,278	12,685	169,742
Income or loss from continuing operations	(12,515)	(38,882)	33,900	(22,995)	115,652
Net income (loss) for the period	(12,515)	(38,882)	33,900	(22,995)	115,652
Other comprehensive income or loss for the period	(17,035)	(13,036)	(5,209)	32,837	2,234
Total comprehensive income or loss for the period	(29,550)	(29,550)	28,691	9,842	117,886
Net income attributable to owners of parent	(12,515)	(38,882)	33,900	(22,995)	115,652
Net income (loss) attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of parent	(29,550)	(51,918)	28,691	9,842	117,886
Total comprehensive income, attributable to non-controlling interests	0	0	0	0	0
Earnings per share	(0.16)	(0.51)	0.44	(0.30)	1.44

6.1.5.Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPA	Auditor's Opinion	Remark
2019	Ernst & Young	Tony Huang, Jonathan Chen	Unqualified opinion	None
2020	Ernst & Young	Tony Huang, Jonathan Chen	Unqualified opinion	None
2021	Ernst & Young	Tony Huang, Jonathan Chen	Unqualified opinion	None
2022	Ernst & Young	Chen, Zheng-Chu,Hong, Guo-Sen	Unqualified opinion	None
2023	Ernst & Young	Chen, Zheng-Chu,Hong, Guo-Sen	Unqualified opinion	None

6.2.Five-Year Financial Analysis

6.2.1.Individual Financial Analysis

Item	Years	Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	58.38	60.56	62.07	60.51	44.73
	Ratio of long-term capital to property, plant and equipment	344.35	426.65	485.29	635.57	1,100.00
Solvency (%)	Current ratio	103.00	149.54	153.39	129.08	271.48
	Quick ratio	34.35	63.90	64.53	64.49	172.87
	Interest earned ratio (times)	0.49	0.96	2.79	0.90	6.08
Operating performance	Accounts receivable turnover (times)	5.70	5.47	5.88	4.75	3.85
	Average collection days	64.04	66.73	62.07	76.84	94.80
	Inventory turnover (times)	1.16	1.04	1.56	1.66	1.17
	Accounts payable turnover (times)	3.21	3.87	3.85	4.07	3.81
	Average days in sales	314.66	350.96	233.97	219.88	311.96
	Property, plant and equipment turnover (times)	2.68	2.10	3.46	4.83	4.61
	Total assets turnover (times)	0.44	0.35	0.51	0.56	0.37
Profitability	Return on total assets (%)	0.18	(1.14)	2.40	(0.26)	6.09
	Return on equity (%)	(1.42)	(4.81)	4.25	(2.82)	10.39
	Ratio of income before tax to paid-in capital (%)	(1.36)	(5.10)	4.51	(0.29)	14.91
	Net profit margin (%)	(1.36)	(5.63)	3.21	(1.93)	13.51
	Earnings per share (NT$)	(0.16)	(0.51)	0.44	(0.30)	1.44
Cash flow	Cash flow ratio (%)	0.13	7.14	5.26	(15.55)	12.69
	Cash flow adequacy ratio (%)	0.51	0.56	42.48	16.08	46.83
	Cash reinvestment ratio (%)	0.06	8.70	2.42	(11.32)	(1.57)
Leverage	Operating leverage	7.79	1.98	2.32	3.32	0.06
	Financial leverage	(0.39)	0.62	9.14	(14.32)	0.51

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Financial Structure: The company repaid part of its loans and increased shareholder equity through a private placement of new shares.
2. Debt Repayment Capacity: The repayment of short-term loans and the private placement of new shares, combined with the sale of the Daya factory, increased funds and pre-tax profits.
3. Operating Capability: In 2023, the economic climate and delays in customer shipments and payments reduced revenue and increased inventory, which decreased the accounts receivable turnover rate and inventory turnover rate, and increased the average days to collect cash from sales. The private placement of new shares reduced the total asset turnover rate.
4. Profitability: An increase in profits in 2023 led to improvements in all profitability indicators.
5. Cash Flow: Increased profits in 2023 led to higher ratios in all cash flow metrics.
6. Leverage: A decrease in revenue in 2023 resulted in operating losses, which reduced operating leverage and resulted in a positive financial leverage.

Note 1: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report:

(1) Financial structure

I. Debt to assets ratio = total liabilities / total assets.

II. Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

(2) Solvency

I. Current ratio = current assets / current liabilities.

II. Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

III. Times interest earned = earnings before tax and interest expenses / current interest expenses.

(3) Operating performance

I. Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

II. Average collection days = 365 / accounts receivable turnover.

III. Inventory turnover = cost of goods sold / average inventory.

IV. Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).

V. Average days in sales = 365 / inventory turnover.

VI. Property, plant and equipment turnover = net sales / average net property, plant and equipment.

VII. Total asset turnover = net sales / average total assets.

(4) Profitability

I. Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
II. Return on equity = net income after tax / average total equity.
III. Net profit margin = net income after tax / net sales.
IV. Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)

(5) Cash flow

I. Cash flow ratio = net cash flows from operating activities / current liabilities.
II. Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
III. Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

(6) Leverage

I. Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
II. Financial leverage = operating income / (operating income – interest expenses).

6.2.2 Financial Analysis - Enterprise Accounting Standards of the R.O.C.

Item	Year	Financial Analysis for the Past Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	64.11	66.26	67.95	66.81	52.01
	Ratio of long-term capital to fixed assets	277.63	326.77	391.07	452.75	760.20
Solvency (%)	Current ratio	142.43	171.43	185.92	156.54	275.00
	Quick ratio	49.49	70.16	71.79	68.03	139.36
	Interest earned ratio (times)	0.92	(0.45)	3.08	1.43	4.98
Operating performance	Accounts receivable turnover (times)	4.87	4.36	5.50	5.13	5.12
	Average collection period	74.95	83.72	66.36	71.15	71.28
	Inventory turnover (times)	3.98	0.97	1.31	1.21	0.93
	Accounts payable turnover (times)	1.00	2.86	3.86	3.66	3.62
	Average days in sales	365.00	376.29	278.63	301.65	392.47
	Fixed assets turnover (times)	2.80	2.46	3.86	4.59	4.47
	Total assets turnover (times)	0.57	0.48	0.66	0.64	0.48
Profitability	Return on total assets (%)	0.48	(0.75)	2.23	(1.86)	3.02
	Return on stockholders' equity (%)	(1.42)	(4.81)	4.25	(2.82)	10.39
	Ratio to issued capital of pre-tax income(%)	(0.33)	(5.18)	6.80	1.65	15.88
	Profit ratio (%)	(0.91)	(3.48)	2.11	(1.43)	8.96
	Earnings per share (NT$)	(0.16)	(0.51)	0.44	(0.30)	1.44
Cash flow	Cash flow ratio (%)	13.99	3.64	8.08	(7.77)	6.82
	Cash flow adequacy ratio (%)	0.77	259.63	131.27	0.78	0.89
	Cash reinvestment ratio (%)	0.07	4.78	0.05	(0.07)	0.02
Leverage	Operating leverage	42.75	(0.12)	2.41	5.01	(10.06)
	Financial leverage	(0.06)	0.59	2.21	0.34	(9.00)

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Financial Structure: The company repaid part of its loans and increased shareholder equity through a private placement of new shares.
2. Debt Repayment Capacity: The repayment of short-term loans and the private placement of new shares, combined with the sale of the Daya factory, increased funds and pre-tax profits.
3. Operating Capability: In 2023, the economic conditions combined with customer delays in shipping led to a reduction in revenue and an accumulation of inventory. This situation resulted in an increased inventory turnover rate and extended average sales days. Additionally, the private placement of new shares resulted in a decrease in the total asset turnover rate.
4. Profitability: An increase in profits in 2023 led to improvements in all profitability indicators.
5. Cash Flow: Increased profits in 2023 led to higher ratios in all cash flow metrics.
6. Leverage: A decrease in revenue in 2023 resulted in operating losses, which reduced operating leverage and resulted in a positive financial leverage.

Note 1: The calculation formulas are the same as those in Table (1).

6.3.Audit Committee’s Review Report for the Most Recent Year

Audit Committee’s Review Report

The company's operating report, financial statements, and Earnings distribution plan for the year 2023 have been audited by Ernst & Young, with Mr. Chen, Zheng-Chu and Mr. Hong, Guo-Sen as the accountants in charge, and they have issued an audit report. These reports have also been audited by our audit committee and found to be in compliance. Therefore, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby report the above and request your attention.

Yours truly,

Shareholders' Meeting of Falcon Machine Tools CO., LTD. As of year 2024.

Supervisor of Audit Committee

Wu, Zhi-Chi

2024/05/10

Independent Auditors' Report

To Falcon Machine Tools Company Limited

Opinion

We have audited the accompanying consolidated balance sheets of Falcon Machine Tools Company Limited (the "Company") and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significance in our audit of 2023 consolidated financial statements. 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.

1. Receivable Impairment

As of December 31, 2023, the account receivable (including related parties) of the Company was NT$168,221 thousand that stands for 6% of the total consolidated assets, which considered to be a significant proportion to the company. Given the recoverable of the receivables is a key factor to the company's working capital, the Company's judgements, analyses and estimations as well as the subsequent result could have impact on the account receivable. We therefore considered the receivable impairment a key audit matter.

Our audit procedure includes, but not limited to, assess the effectiveness of the Company's internal control on clients' credit risk management, its management on receivables by assessing the reasonability of the periods of the receivables' age on all groups, assess the accuracy of the original vouchers by random audit; assess the accuracy by recalculating the periods of the receivables' age according to the trading terms, judge the reasonability of allowing the individual clients to have large past due amount or long term past due, and assess the reasonability of non-individual clients' (group assess) allowance by recalculating it in accordance with allowance policy. Random audit the receivable confirmations and review the past due subsequent receivables to evaluate the possibility of recoverable.

We considered Note 5 and 6 to the consolidated financial statements regarding the related disclosure of the account receivables.

2. Inventory Valuation

As of December 31, 2023, the company's net inventory was NT$1,011,244 thousand, which stands for 34% of the consolidated asset. Given the Group is primarily engaged in manufacturing and processing of grinder and lathe products. And the products are tailor-made, high unit price and for long duration. The judgement on slow-moving or expired inventory valuation would be a significant factor. We therefore considered the inventory valuation a key audit matter.

Our audit procedure includes, but not limited to, understand and assess the effectiveness of the internal control on inventory, evaluate the appropriateness of the account policy on slow-moving and expired inventory, assess the accuracy of the periods of the inventories' age, evaluate and observe the age of inventory variables in order to judge the reasonability of the slow-moving and expired inventory's reserve.

We considered Note 5 and 6 to the consolidated financial statements regarding the related disclosure of the inventory.

Other Matter – Making Reference to the Audits of Other Auditor

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$350,165 thousand and NT$412,897 thousand, constituting 12% and 17% of consolidated total assets as of December 31, 2023 and 2022, respectively, and total operating revenues of NT$454,247 thousand and NT$445,315 thousand, constituting 35% and 28% of consolidated operating revenues for the years ended December 31 2023 and 2022, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of the other auditors. These associates and joint ventures under equity method amounted to NT$99,456 thousand and NT$24,758 thousand, representing 3% and 1% of consolidated total assets as of December 31, 2023 and 2022, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT($5,964) thousand and NT$815 thousand, representing (4)% and 6% of the consolidated net income before tax for the years ended December 31 2023 and 2022, respectively.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2023 and 2022.

Chen,Cheng-Chu

Hung, Kuo-Sen

Ernst & Young, Taiwan
March 11, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.
Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management , Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of the Consolidated Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Assets		Dec 31, 2023		Dec 31, 2022	
Contents	Notes	Amount	%	Amount	%
Current Asset					
Cash and cash equivalents	4, 6(1)	$835,773	29	$340,277	14
Financial assets measured at amortized cost are assets - current	4, 6(2), 8	32,257	1	1,986	0
Notes receivable	4, 6(3), 6(16)	26,171	1	25,517	1
Notes receivable - related parties	4, 6(3), 6(16), 7	272	0	1,075	0
Accounts receivable, net	4, 6(4), 6(16), 8	168,143	6	283,297	11
Accounts receivable - related parties, net	4, 6(4), 6(16), 7	78	0	144	0
Other receivables	4	18,351	1	11,975	1
Current tax assets	4	277	0	24,098	1
Inventories	4, 6(5)	1,011,244	34	977,318	40
Prepayments		41,357	1	34,854	1
Assets held for sale	4, 6(6), 8	-	-	78,898	3
Other current assets		134	0	10,658	0
Total current assets		2,134,057	73	1,790,097	72
Noncurrent assets					
Financial assets measured at fair value through other comprehensive income - non-current	4, 6(7)	24,538	1	22,630	1
Financial assets measured at amortized cost - non-current	4, 6(2), 8	46,518	2	38,413	2
Investment accounted for using equity method	4, 6(8)	272,514	9	162,716	7
Property, plant and equipment	4, 6(9), 8	283,259	10	293,688	12
Right-of-use assets	4, 6(17), 8	60,288	2	56,423	2
Investment property	4, 6(8), 8	10,074	0	10,462	1
Intangible assets	4	5,885	0	10,960	0
Deferred tax assets	4, 6(21)	82,974	3	82,789	3
Other non-current assets	4	9,263	0	5,046	0
Total non-current assets		795,313	27	683,127	28
Total Assets		$2,929,370	100	$2,473,224	100

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

English Translation of the Consolidated Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited and Subsidiaries

Consolidated Balance Sheets (con.)

December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity		Dec 31, 2023		Dec 31, 2022	
Content	Note	Amount	%	Amount	%
Current liabilities					
Short-term loans	4, 6(11)	$247,828	8	$450,940	18
Current contract liabilities	6(15)	67,726	2	68,272	3
Notes payable		20,576	1	16,742	1
Notes payable - related parties	7	20	0	18	0
Accounts payable		207,138	7	224,183	9
Accounts payable - related parties	7	21,731	1	21,141	1
Other payables		88,748	3	84,803	3
Current tax liabilities		945	0	683	0
Lease liabilities - current	4, 6(17)	25,336	1	14,707	1
Current portion of long-term loans	4, 6(12)	79,944	3	243,339	10
Other current liabilities		16,038	1	18,723	1
Total current liabilities		776,030	27	1,143,551	47
Noncurrent liabilities					
Long-term borrowings	4, 6(12)	680,366	24	405,753	16
Net deferred tax liabilities	4, 6(21)	47,451	2	71,272	3
Lease liabilities - noncurrent	4, 6(17)	14,194	0	21,156	1
Accrued pension liabilities - noncurrent	4, 6(13)	211	0	4,289	0
Deposit received		5,459	0	6,230	0
Total non-current liabilities		747,681	26	508,700	20
Total liabilities		1,523,711	53	1,652,251	67
Interests attributable to parent company owner	6(14)				
Capital					
Common stock capital		1,068,803	36	768,803	31
Capital reserve		178,260	6	11,460	0
Retained earnings					
Legal reserve		22,474	1	22,474	1
Special reserve		53,916	2	53,916	2
Undistributed earnings (Deficit to be offset)		107,431	3	(11,829)	-
Total retained earnings		183,821	6	64,561	3
Other equity					
Exchange Differences on Translation of Foreign Operations		(28,162)	(1)	(26,729)	(1)
Unrealised gains (losses) on financial assets measured at fair value		2,937	0	2,878	0
Total of other equity		(25,225)	(1)	(23,851)	(1)
Total equity		1,405,659	47	820,973	33
Total liabilities and equity		$2,929,370	100	$2,473,224	100

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

English translation of Consolidated Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Content	Note	2023 Amount	2023 %	2022 Amount	2022 %
Operating revenues	4, 6(15), 7	$1,290,783	100	$1,610,552	100
Operating costs	6(5), 6(13), 6(17), 6(18), 7	(924,668)	(72)	(1,206,683)	(75)
Gross profit		366,115	28	403,869	25
Operating expenses	6(13), 6(17), 6(18)				
Sales and marketing expenses		(133,067)	(10)	(141,973)	(9)
General and administrative expenses		(223,626)	(17)	(175,480)	(11)
Research and development		(56,527)	(4)	(54,492)	(3)
Expected credit impairment losses	6(16)	8,747	1	(16,588)	(1)
Subtotal		(404,473)	(30)	(388,533)	(24)
Operating income		(38,358)	(2)	15,336	1
Non-operating income and expenses	6(19), 7				
Interest income		3,085	0	820	0
Other income		21,447	2	8,747	1
Other gains and losses		221,281	17	(37)	(0)
Finance costs		(42,622)	(3)	(29,272)	(2)
Share of profit or loss of associates	4, 6(8)	4,909	0	17,091	1
Subtotal		208,100	16	(2,651)	(0)
Net income (loss) before tax		169,742	14	12,685	1
Income tax expenses	4, 6(21)	(54,090)	(4)	(35,680)	(2)
Profit from continuing operations		115,652	10	(22,995)	(1)
Other comprehensive net income	6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(161)	(0)	3,465	0
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		5,834	0	(2,579)	(0)
Income tax related to items that will not be reclassified		32	0	(693)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(631)	(0)	41,229	3
Share of other comprehensive income, accounted for using equity method	6(8)	(2,038)	(0)	1,716	0
Income tax related to items that may be reclassified		(802)	(0)	(10,301)	(1)
Subtotal		2,234	0	32,837	2
Total comprehensive income		$117,886	10	$9,842	1
Net income (loss) attributable to:					
Stock holders of the parent company	4, 6(22)	$115,652		($22,995)	
Non-controlling interests		-		-	
		$115,652		($22,995)	
Total comprehensive income attributable to:					
Stock holders of the parent company		$117,886		$9,842	
Non-controlling interests		-		-	
		$117,886		$9,842	
Earnings per share (NT$)	4, 6(22)				
Basic earnings per share		$1.44		($0.30)	
Diluted earnings per share		$1.43		($0.30)	

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

English Translation of the parent company only Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Content	Common Stock	Capital surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Undistributed Earnings (Deficit to be offset)	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive	
Balance as of January 1, 2022	$768,803	$11,460	$21,054	$49,531	$14,199	($57,657)	$3,741	$811,131
Appropriations of prior year's earnings 2021:								
Legal reserve	-	-	1,420	-	(1,420)	-	-	-
Special reserve	-	-	-	4,385	(4,385)	-	-	-
Net income in 2022	-	-	-	-	(22,995)	-	-	(22,995)
Other comprehensive income (loss) 2022	-	-	-	-	2,772	30,928	(863)	32,837
Total comprehensive income (loss)	-	-	-	-	(20,223)	30,928	(863)	9,842
Balance as of December 31, 2022	$768,803	$11,460	$22,474	$53,916	$(11,829)	($26,729)	$2,878	$820,973
Balance as of January 1, 2023	$768,803	$11,460	$22,474	$53,916	($11,829)	($26,729)	$2,878	$820,973
Appropriations of prior year's earnings 2022:								
Legal reserve	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-
Net income in 2023	-	-	-	-	115,652	-	-	115,652
Other comprehensive income (loss) 2023	-	-	-	-	(129)	(1,433)	3,796	2,234
Total comprehensive income (loss)	-	-	-	-	115,523	(1,433)	3,796	117,886
Issue of shares	300,000	166,800	-	-	-	-	-	466,800
Disposal of euqity instrument investments measured at fair value through other comprehensive income	-	-	-	-	3,737	-	(3,737)	-
Balance as of December 31, 2023	$1,068,803	$178,260	$22,474	$53,916	$107,431	($28,162)	$2,937	$1,405,659

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

English Translation of the parent company only Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Content	2023	2022	Content	2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	$169,742	$12,685	Acquisition of financial assets measured at fair value through other comprehensive income	-	(25,020)
Adjustments to reconcile net income (loss) before tax to net cash:			Proceeds from disposal of financial assets at fair value through other comprehensive income	7,497	-
Provided by (used in) operating activities:			Proceeds from disposal of financial assets measured at amortized cost	(38,376)	7,932
Depreciation	56,225	58,703	Acquisition of investments accounted for under the equity method	(111,900)	-
Amortization	2,004	2,748	Repayment of reduction of capital from investees for using equity method	-	23
Expected credit (gain) loss	(8,747)	16,588	Proceeds from disposal of non-current assets classified as held for sale	297,754	-
Interest expenses	42,622	29,272	Acquisition of property, plant and equipment	(24,952)	(8,031)
Interest income	(3,085)	(820)	Proceeds from disposal of property, plant and equipment	2,956	1,499
Dividend revenue	(10)	(10)	Acquisition of intangible assets	(500)	(362)
Share of loss of associates accounted for using equity method	(4,909)	(17,091)	Increase in other non-current assets	(4,217)	-
Gain on disposal of property, plant and equipment	(221,377)	(289)	Decrease in other non-current assets	-	18
Impairment loss on non-financial assets	-	785	Decrease in prepayments for business facilities	-	2,278
Loss on inventory valuation	2,694	60,031	Dividend received (cash dividend of the year of investments accounted for using equity method)	4,975	2,501
Profit from lease modification	-	(103)	Net cash provided by (used in) investment activities	133,237	(19,162)
Unrealized foreign currency exchange (gains)	-	(3,773)			
Changes in operating assets and liabilities:					
Notes receivables	(654)	29,221	Cash flows from financing activities:		
Notes receivables - related parties	803	996	Increase in short-term loans	1,101,138	1,059,983
Account receivables	124,022	(40,024)	Decrease in short-term loans	(1,303,605)	(884,777)
Account receivables - related parties	66	1,053	Increase in short-term notes payable	-	120,430
Other receivables	(6,376)	7,183	Decrease in short-term notes payable	-	(150,385)
Inventories	(35,353)	(9,278)	Proceeds from long-term loans	629,219	505,419
Prepayments	(6,503)	21,128	Repayments of long-term loans	(516,562)	(541,475)
Other current assets	10,524	8,184	Repayments of lease liabilities	(24,988)	(20,002)
Contract liabilities - current	(546)	(30,469)	Decrease in other non-current liabilities	(771)	(575)
Notes payable	3,834	(2,924)	Proceeds from issuing shares	466,800	-
Notes payable - related parties	2	(330)	Interest paid	(41,686)	(24,596)
Account receivables	(17,045)	(128,005)	Net cash provided by financing activities	309,545	64,022
Account receivables - related parties	590	(3,288)	Effect of exchange rate changes on cash and cash equivalents	(206)	54,217
Other payable	3,009	(4,710)	Net increase in cash and cash equivalents	495,496	35,424
Other current liabilities	(2,685)	(3,689)	Cash and cash equivalents at beginning of year	340,277	304,853
Net defined benefit liabilities-non-curren	(4,078)	(15,160)	Cash and cash equivalents at end of year	$835,773	$340,277
Cash generated from operations	104,769	(11,386)			
Interest received	3,085	820			
Dividend received	10	10			
Income tax paid	(54,944)	(53,097)			
Net cash provided by (used in) operating activities	52,920	(63,653)			

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

1. History and organization

Falcon Machine Tools Company Limited (the Company) was incorporated in 1978 as Falcon Manufacturing Company Limited. The company's primary businesses are manufacturing and processing grinders, lathes, millers, planers, drill presses, saw machines etc., and their surrounding businesses, as well as manufacturing and trading computer accessories and electronic parts, the development, leasing and sale of residential housing and building.

In response to the international business environment and our diversification development strategy, we renamed the Company to the current name. The Company listed on Taipei Exchange Market since March 25, 1998. Although our registered address was original in Taichung City, our main operating business address was moved to No.34, Xinggong Road, Shengang, Changhua County 509, Taiwan (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2023 and 2022 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on March 11, 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The remaining new or amendedstandards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of material accounting policies

1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee and Standing Interpretations Committee as endorsed by the FSC.

2. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

3. Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

i. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
ii. exposure, or rights, to variable returns from its involvement with the investee, and
iii. the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

(a)derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b)derecognizes the carrying amount of any non-controlling interest;
(c)recognizes the fair value of the consideration received;
(d)recognizes the fair value of any investment retained;
(e)recognizes any surplus or deficit in profit or loss; and
(f)reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	2023.12.31	2022.12.31	Note
The Company	Chevalier Machinery, Inc.(CMI)	Machine Tools and related Products Sales	100.00%	100.00%	
The Company	Lin Yu International Industrial Co., Ltd.	Real Estate Agency Operation	100.00%	100.00%	Note 1
The Company	Lucky Investment Services Inc.	General Investment	100.00%	100.00%	
Lucky Investment Services Ltd.	Chevalier Machinery Co., Ltd. (Shanghai)	Machine Tools Manufacture and Distribution	100.00%	100.00%	
Lucky Investment Services Ltd.	Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	69.75%	69.75%	Note 2
Chevalier Machinery Co., Ltd. (Shanghai)	Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	30.25%	30.25%	Note 3

Note 1：Lin Yu International Industrial Co., Ltd. established in December 2022. It is a subsidiary 100% invested by the Company in cash.

Note 2：Chevalier Machinery Ltd. (Suzhou) conducted capital increase and Lucky Investment Services Ltd. did not participate, leading the ownership interest of Lucky Investment Services Ltd. decreased to 69.75% from 100%.

Note 3：The Board of Directors approved on May 24, 2022 for Chevalier Machinery Co., Ltd. (Shanghai) to invest RMB 28,876 thousand to Chevalier Machinery Co., Ltd. (Suzhou) by debt-to-capital increase. The record date of capital increase was May 24, 2022 and the according registration has been completed.

In the abovementioned consolidated financial statements, the financial statements of Chevalier Machinery, Inc. were audited by a component auditor. The subsidiary's total assets as of December 31, 2023 and 2022 were NT$350,165 thousand and NT$412,897 thousand respectively. The net operating revenue generated for the years ended were NT$454,247 thousand and NT$445,315 thousand respectively.

4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(2) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

(3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

5. Tanslation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

6. Current and non-current distinction

An asset is classified as current when:

(1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(2) The Group holds the asset primarily for the purpose of trading.
(3) The Group expects to realize the asset within twelve months after the reporting period.
(4) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when:

(1) The Group expects to settle the liability in its normal operating cycle.
(2) The Group holds the liability primarily for the purpose of trading.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other assets are classified as non-current

7. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

<u>Financial asset measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) Financial assets that are not purchased or originated credit-impaired financial assets butsubsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

B. the time value of money; and

C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired.
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(1) In the principal market for the asset or liability, or
(2) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

10. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on average basis
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

11. Non-current assets for sale

Non-current assets or disposal groups to be sold refer to those who can be sold immediately under general conditions and business practices under current circumstances, and are highly likely to complete the sale within one year. Non-current assets classified as for sale and the disposal group are measured by the lower of the carrying amount and fair value less the disposal cost.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

12. Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

13. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful Life
Buildings	5~55 years
Machinery and equipment	4~10 years
Office equipment	2~20 years
Transportation equipment	3~10 years
Other equipment	2~20 years
Lease improvement	According to lease term or useful economic life whichever is shorter
Mould equipment	3 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

14. Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful Life
Buildings	37 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

15. Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

The Group decided not to assess whether the rent concessions were lease modification when the rent concessions were a direct consequence of Covid-19. Instead, the rent concessions were accounted as change in rent payment.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

16. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer Software	Golf License
Useful life	Finite	Indefinite
Amortization method	Amortized on a straight- line basis over the estimated useful life	No amortization
Internally generated or acquired	Acquired	Acquired

17. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

18. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

19. Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is machine tools and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

Accounts receivable are generally on 30 to 360 day terms. Due to the natural of the industry, some customers' accounts receivable was longer than the abovementioned day terms. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to transfers the goods subsequently; accordingly, these amounts are recognized as contract liabilities.

Rendering of services

The group provides maintenance for high unit price machine equipment. Such services are separately priced or negotiated, and provided based on particular point of time. As the customers receive the benefits at a particular point of time, the Group's performance obligations are satisfied simultaneously, and the related revenue are then recognized when the services completed.

20. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

21. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(1) The date of the plan amendment or curtailment, and
(2) The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

22. Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

(2) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

(2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1. Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) Investment properties

The Group uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately, the property is classified as investment property and property, plant and equipment if the own-use portion is immaterial to the property. Please refer to Note 6 for details.

(2) Operating lease commitment - Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(3) No control with a majority of the voting rights in investees

The Group does not own more than 50% shares although it is the largest shareholder of the investees. After taking into consideration factors such as absolute size of the Group's holding, relative size of the other shareholdings, how widely spread is the remaining shareholding, contractual arrangements between shareholders, potential voting rights, etc., the Group reached the conclusion that it has no control over these investees. Please refer to Note 6 for further details.

2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Accounts receivable - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(4) Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

1. Cash and cash equivalent

	2023.12.31	2022.12.31
Demand deposits	$574,741	$338,836
Cash on hand	1,025	1,441
Cash equivalents	260,007	-
Total	$835,773	$340,277

2. Financial assets measured at amortized cost

	2023.12.31	2022.12.31
Time deposits	$78,775	$40,399
Current	$32,257	$1,986
Noncurrent	46,518	38,413
Total	$78,775	$40,399

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge and Note 12 for details on credit risk.

3. Notes receivables, net and notes receivables – related parties, net

	2023.12.31	2022.12.31
Notes receivable arising from operating activities	$26,171	$25,517
Notes receivables – related parties	272	1,075
Total	$26,443	$26,592

Notes receivables were not pledged.

The group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.16 for more details on loss allowance and Note 12 for details on credit risk.

4. Accounts receivable, net and Accounts receivable – related parties, net

	2023.12.31	2022.12.31
Accounts receivable	$192,463	$316,485
Less: loss allowance	(24,320)	(33,188)
Subtotal	168,143	283,297
Accounts receivable – related parties	78	144
Total	$168,221	$283,441

Please refer to Note 8 for more details on accounts receivable under pledge.

The general payment term are 30 to 360 days. Due to the natural of the industry, some customers' payment terms were longer than the abovementioned payment terms. The total carrying amount for the years ended December 31, 2023 and 2022, were NT$192,541 thousand and NT$316,629 thousand, respectively. Please refer to Note 6.16 for more details on loss allowance of accounts receivable for year ended December 31, 2023 and 2022, and Note 12 for details on credit risk.

5. Inventories

	2023.12.31	2022.12.31
Raw Materials	$387,523	$473,916
Work in progress	162,782	189,783
Finished goods	143,263	137,039
Semi-finished goods	147,278	124,635
Subtotal	840,846	925,373
Underconstruction (Note)	170,398	51,945
Total	$1,011,244	$977,318

Note: The Group made a successful bid in November 2023 for a a land development joint project with Taiwan Sugar Corporation.

For the year ended December 31, 2023 and 2022, the costs of sales for inventory were NT$924,668 thousand and NT$1,206,683 thousand respectively. These figures include recognized inventory depreciation and slow-moving losses, which amounted to NT$2,694 thousand and NT$60,031 thousand respectively.

The inventories were not pledged.

6. Noncurrent assets held for sale

	2023.12.31	2022.12.31
Property and its accompanied equipment held for sale	-	$78,898

The Group entered into a contract with E-tech Machinery Inc. on December 29, 2022, to sell its property and accompanying equipment located in the Daya District, Taichung City, Taiwan (R.O.C.). This followed a resolution from the Company's board meeting held on December 22, 2022. As a result, NT$67,146 thousand and NT$11,752 thousand were transferred to non-current assets held for sale from Properties, plants and equipment, and investment properties respectively. The property was delivered and the transaction was completed on July 7, 2023. The sale price was NT$297,890 thousand, and the profit or loss from the disposal was recognized as NT$218,856 thousand.

7. Financial assets at fair value through other comprehensive income

	2023.12.31	2022.12.31
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks		
Sincere Creative Industries CO., LTDd	-	-
TAICHUNG INTERNATIONAL ENTERTAINMENT CORPORATION.	-	$189
Qing Jing Xiang Asset Co.,Ltd.	$14,866	12,629
Qing Jing Ning Construction Co., Ltd.	9,672	9,812
Total	$24,538	$22,630

The Group recognized unrealized gains or (losses) on financial assets measured at fair value through other comprehensive income in 2023 and 2022 as NT$5,834 thousand and NT($2,579) thousand respectively.

Financial assets measured at fair value through other comprehensive income were not pledged.

The Group ' s derecognition related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 are as follow::

	2023.12.31	2022.12.31
Fair value on the day of derecognition	-	-
The cumulative loss on disposal reclassified from other equity to retained earnings	$3,737	-

8. Investments accounted for using equity method

	2023.12.31		2022.12.31	
Investee Companies	Amount	Ownership	Amount	Ownership
Investments in associates:				
Focus CNC Co., Ltd.	$138,848	39.18%	$137,491	39.18%
Hwang Kang Machinery Co., Ltd.	19,664	40.18%	25,225	40.18%
Ching Young International Industrial CO., LTD.	30,185	12.45%	-	-
Shang Jia Real Estate Co., Ltd.	75,232	30.00%	-	-
Jia Cen International Co., Ltd.	4,025	30.00%	-	-
Jia Yang Enterprise Co., Ltd.	4,560	30.00%	-	-
Total	$272,514		$162,716	

Although the Group holds 39.18% of ownership and is the largest shareholder of Focus CNC Co., Ltd. the Group does not own the major voting rights as the other two shareholders hold 32.86% and 7.06% of ownership respectively and are able to align and prevent the Group from ruling the relevant operation. Therefore, the Group does not control but owns significant influence over the abovementioned associate.

Although the Group holds 40.18% of ownership and is the largest shareholder of Hwang Kang Machinery Co., Ltd., the Group does not own the major voting rights as the remaining voting rights holders hold 22.50%, 9.26%, 8.19% and 6.75% are able to align and prevent the Group from ruling the relevant operation. Therefore, the Group does not control but owns significant influence over the abovementioned associate.

The Group's investment in FOCUS CNC CO. LTD. , Hwang Kang Machinery Co., Ltd. , Ching Young International Industrial CO., LTD. , Jia Cen International Co., Ltd. , Jia Yang Enterprise Co., Ltd. , and Shang Jia Real Estate Co., Ltd. are immaterial. The aggregate amount of the Group's shares of the abovementioned associates are as follows:

	2023.01.01~2023.12.31	
Investee	Investment Income	Other Comprehensive Income
Focus CNC Co., Ltd.	$7,562	($2,038)
Hwang Kang Machinery Co., Ltd.	(4,754)	-
Ching Young International Industrial CO., LTD.	5,284	-
Shang Jia Real Estate Co., Ltd.	232	-
Jia Cen International Co., Ltd.	(1,975)	-
Jia Yang Enterprise Co., Ltd.	(1,440)	-
Total	$4,909	($2,038)

	2022.01.01~2022.12.31	
Investee	Investment Income	Other Comprehensive Income
Focus CNC Co., Ltd.	$16,276	$1,716
Hwang Kang Machinery Co., Ltd.	815	-
Total	$17,091	$1,716

The Group's investment in FOCUS CNC CO. LTD. and Hwang Kang Machinery Co., Ltd. are immaterial. The aggregate amount of the Group's shares of the abovementioned associates are as follows:

	Year 2023	Year 2022
Net income of continuing business unit	$4,909	$17,091
Other comprehensive income, net of tax	(2,038)	1,716
Total comprehensive income	$2,871	$18,807

The Group did not have contingent liabilities or capital commitments to the abovementioned associates and the investments were not pledged as of December 31, 2023 and 2022.

The financial statements of Huanggang Machinery Co., Ltd., Jia Yang Enterprise Co., Ltd. and Shang Jia Real Estate Co., Ltd. as of December 31, 2023 and 2022 have been verified and certified by other accountants as the basis for recognition, and are adopted for these invested companies. The investments under the equity method were NT$99,456 thousand and NT$25,225 thousand respectively, and the shares of associated enterprises and joint ventures (profits and losses) recognized under the equity method were NT($5,964) thousand and NT$815 thousand respectively.

9. Property, plant and equipment

	2023.12.31	2022.12.31
Owner occupied property, plant and equipment	$283,259	$293,688

(1) Owner occupied property, plant and equipment

2023.01.01－2023.12.31

	Land	Buildings	Machinery & equipment	Office equipment	Transportation equipment	Other equipment	Lease improvement	Construction in progress	Total
Cost :									
2023.01.01	$105,325	$399,901	$226,015	$47,660	$51,032	$150,794	$18,262	-	$998,989
Additions	-	-	10,578	4,733	-	5,279	4,363	-	24,953
Disposals	-	-	(71,113)	(723)	(1,174)	(7,610)	-	-	(80,620)
Transfer	-	-	(20,804)	-	-	-	-	-	(20,804)
Exchange differences	-	(2,291)	(396)	(155)	(100)	(997)	(66)	-	(4,005)
2023.12.31	$105,325	$397,610	$144,280	$51,515	$49,758	$147,466	$22.559	-	$918,513
Depreciation and impairment									
2023.01.01	-	$276,817	$197,000	$42,512	$46,578	$126,513	$15,881	-	$705,301
Depreciation	-	12,070	6,430	2,079	1,253	8,580	1,017	-	31,429
Disposals	-	-	(70,725)	(723)	(1,127)	(7,610)	-	-	(80,185)
Transfer	-	-	(19,110)	-	-	-	-	-	(19,110)
Exchange differences	-	(1,035)	(181)	(81)	(87)	(781)	(16)	-	(2,181)
2023.12.31	-	$287,852	$113,414	$43,787	$46,617	$126,702	$16,882	-	$635,254

	2022.01.01－2022.12.31								
	Land	Buildings	Machinery & equipment	Office equipment	Transportation equipment	Other equipment	Leave improvement	Construction in progress	Total
Cost :									
2022.01.01	$151,428	$475,434	$259,411	$46,560	$53,396	$150,382	$16,506	-	$1,153,117
Additions	-	211	983	811	1,238	4,788	-	-	8,031
Disposal	-	-	(9,637)	(263)	-	(1,698)	-	-	(11,598)
Transfer	(46,103)	(77,553)	(28,509)	-	(3,891)	(3,379)	-	-	(159,435)
Exchange differences	-	1,809	3,767	552	289	701	1,756	-	8,874
2022.12.31	$105,325	$399,901	$226,015	$47,660	$51,032	$150,794	$18,262	-	$998,989
Depreciation and impairment:									
2022.01.01	-	$319,054	$201,647	$38,365	$49,183	$123,060	$13,722	-	$745,031
Depreciation	-	14,013	9,071	3,895	1,093	10,025	686	-	38,783
Disposal	-	-	(8,632)	(263)	-	(1,493)	-	-	(10,388)
Tansfer	-	(56,881)	(8,705)	-	(3,891)	(5,591)	-	-	(75,068)
Exchange differences	-	631	3,619	515	193	512	1,473	-	6,943
2022.12.31	-	$276,817	$197,000	$42,512	$46,578	$126,513	$15,881	-	$705,301
Net carrying amount as of：									
2023.12.31	$105,325	$109,758	$30,866	$7,728	$3,141	$20,764	$5,677	-	$283,259
2022.12.31	$105,325	$123,084	$29,015	$5,148	$4,454	$24,281	$2,381	-	$293,688

(2) Significant components of the building include the main building structure and air-conditions, which are depreciated over useful lives of 50 and 5 years respectively.

(3) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(4) There was no interest capitalized due to purchasing of property, plant and equipment in years 2023 and 2022.

10. Investment properties

	Land	Buildings	Total
Cost :			
2023.01.01	$5,213	$9,390	$14,603
Reclassification	-	-	-
2023.12.31	$5,213	$9,390	$14,603
2022.01.01	$13,240	$23,095	$36,335
Reclassification	(8,027)	(13,705)	(21,732)
2022.12.31	$5,213	$9,390	$14,603
Depreciation and impairment :			
2023.01.01	-	$4,141	$4,141
Depreciation	-	388	388
Reclassification	-	-	-
2023.12.31	-	$4,529	$4,529
2022.01.01	-	$13,420	$13,420
Depreciation	-	701	701
Reclassification	-	(9,980)	(9,980)
2022.12.31	-	$4,141	$4,141
Net carrying amount:			
2023.12.31	$5,213	$4,861	$10,074
2022.12.31	$5,213	$5,249	$10,462

	2023	2022
Income from investment properties rental	-	$1,927

Please refer to Note 8 for more details on investment properties under pledge.

Investment property held by the Group are not measured at fair value, but only discloses information on its fair value. Its fair value hierarchy is Level 3. The fair value evaluated by an independent external appraisal expert appointed on December 31, 2022 was NT$24,743 thousand. The aforementioned determination of fair value was supported by market evidence, and the evaluation methods adopted were comparative method, The direct capitalization method of the income method, in which the long-term operating net profit mainly used in the capitalization method is NT$350 thousand, and the capitalization rate is 2.90%.

The fair values of the investment real estate held by the Group were both NT$24,743 thousand on December 31, 2023 and December 31, 2022. The aforementioned fair values were respectively Appoint an independent external appraisal expert to evaluate and refer to the Ministry of Interior's Real Estate Transaction Actual Price Inquiry Service Network for the fair value of recent transaction prices for similar locations and types

11. Short-term loans

	2023.12.31	2022.12.31
Secured bank loans	$247,828	$291,463
Unsecured bank loans	-	159,477
Total	$247,828	$450,940
Interest Rate (%)	3.01%~3.95%	2.24%~4.35%

The Group's unused short-term lines of credits amounts to NT$397,147 thousand and NT$437,366 thousand as of December 31, 2023 and 2022, respectively.

The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for more details.

12. Long-term loans

(1) As of December 31, 2023:

Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge loan	$550,000	2.75%	From May 17, 2023 to May 17, 2028. The loan shall be repaid starting 18 months from the first usage date. The un-repaid loan shall be fully repaid in 15 quarter installments. Interest is calculated once a month.
Export-Import Bank of the Republic of China	LC Financing Loan	7,523	7.34%	From May 24, 2022 to January 16, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,001	7.34%	From May 24, 2022 to January 31, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	5,281	7.19%	From June 7, 2022 to February 27, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,005	7.19%	From September 5, 2022 to August 6, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,277	7.19%	From September 19, 2022 to August 15, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	9,211	7.25%	From October 17, 2022 to July 22, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,145	7.25%	From October 18, 2022 to September 23, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,216	7.51%	From November 6, 2023 to July 31, 2025. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Taichung Bank	Financing Loan	9,212	5.10%	From June 30, 2023 to June 30, 2026. Floating interest adjusted according to simple interest rate. Interest to be settled once a month.
Taiwan Cooperative Bank	Credit Loan	82,904	7.40%	From June 17, 2023 to June 12, 2025. Interest calculated once every six months. The loan is due to be settled of capital and interest.
EAST WEST BANK	Credit Loan	61,410	7.25%	From June 17, 2023 to June 12, 2025. Interest will be paid once every month, and the principal and interest will be repaid when due.
Total		763,185		
Less: Current portion of long-term loans		(79,944)		
Less: Admin fee		(2,875)		
Total		$680,366		

(2) As of December 31, 2022

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge loan	$337,500	2.67%	From February 17, 2020 to February 17, 2025. The loan shall be repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 13 quarter installments. Interest is calculated once a month.
Bank of Panhsin – Taichung Branch	Pledge loan	60,000	2.23%	From February 22, 2022 to February 22, 2023. Interest calculated once every three months. The loan is due to be settled.
Export-Import Bank of the Republic of China	LC Financing Loan	7,524	6.79%	From May 24, 2022 to January 16, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,002	6.79%	From May 24, 2022 to January 31, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	5,282	5.81%	From June 7, 2022 to February 27, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,008	4.76%	From September 5, 2022 to August 6, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,278	5.29%	From September 19, 2022 to August 15, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	9,213	5.89%	From October 17, 2022 to July 22, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,146	5.90%	From October 18, 2022 to September 24, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	6.59%	From February 22, 2021 to January 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,075	5.72%	From March 10, 2021 to February 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	4,422	6.59%	From April 15, 2021 to March 6, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,493	5.13%	From May 10, 2021 to March 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	6,956	5.72%	From June 15, 2021 to May 8, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,992	6.59%	From July 13, 2021 to June 12, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,457	6.59%	From July 13, 2021 to June 1, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,040	6.59%	From July 26, 2021 to June 27, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,155	5.81%	From September 6, 2021 to July 28, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	11,332	6.62%	From November 8, 2021 to September 5, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	17,167	6.62%	From December 3, 2021 to October 16, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,822	6.62%	From December 10, 2021 to October 26, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,917	6.62%	From December 15, 2021 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,689	1.55%	From December 22, 2021 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	1.42%	From January 7, 2021 to November 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,960	1.81%	From March 7, 2021 to December 7, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,370	5.71%	From March 23, 2021 to December 20, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
China Construction Bank	Credit Loan	6,612	4.35%	From June 9, 2020 to June 3, 2023. Interest to be settled once a month.
Taichung Bank	Financing Loan	9,213	1.97%	From June 22, 2020 to June 17, 2023. Floating interest adjusted according to simple interest rate. Interest to be settled once a month.
Taiwan Cooperative Bank	Credit Loan	82,917	1.80%	From March 23, 2021 to December 16, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Total		650,442		
Less: Current portion of long-term loans		(243,339)		
Less: Admin fee		(1,330)		
Total		$405,753		

Note 1: The Group obtained a bank loan with seven financial institutes including Taiwan Cooperative Bank, the bank loan agreement stipulated that the ratio of current assets to current liabilities shall not be lower than 100%, the ratio of liabilities to net tangible assets shall not be higher than 180%, the net value of tangible assets shall not be lower than NT$800,000,000, and the interest coverage shall be above 300%. Administration fee is 0.35% of the total line of credit, the fee shall be paid within 5 working days to Taiwan Cooperative Bank after the approval of the line of credit.

(3) The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for more details.

(4) The Group did not fulfill the abovementioned stipulations in year 2023 and 2022 thus is required to pay additional 0.25% of the unpaid balance to the credit banks monthly until it could fulfill the stipulations. In return, the credit banks shall not claim the Company violated the agreed stipulations.

13. Post-employment benefits

Defined contribution plan

The Group and its domestic subsidiaries adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 amounted to NT$7,648 thousand and NT$6,504 thousand, respectively.

Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units.

Under the Labor Standards Act, the Company contribute an amount equivalent to 6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$4,836 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The average duration of the defined benefits plan obligation as at December 31, 2023 and 2022 are 8 years and 6 years.

Pension costs recognized in profit or loss is as follows:

	2023	2022
Current period service costs	$545	$538
Net interest expense (income)	52	107
Total	$597	$645

Reconciliation in the defined benefit obligation and fair value of plan assets are as follows:

	2023.12.31	2022.12.31
Defined benefit obligation at January 1,	$59,311	$61,286
Plan assets at fair value	(59,100)	(56,997)
Other non-current liabilities – net defined benefit liability	$211	$4,289

Reconciliation of liability of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2022	65,927	(43,013)	22,914
Current period service costs	538	-	538
Net interest expense (income)	424	(317)	107
Subtotal	66,889	(43,330)	23,559
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	20,429	-	20,429
Actuarial gains and losses arising from changes in financial assumptions	40,857	-	40,857
Experience adjustments	(61,571)	-	(61,571)
Re-measurement on defined benefit assets	-	(3,180)	(3,180)
Subtotal	(285)	(3,180)	(3,465)
Benefits paid	(5,318)	(2,379)	(7,697)
Contributions by employer	-	(8,108)	(8,108)
As of December 31, 2022	$61,286	($56,997)	$4,289
Current period service costs	545	-	545
Net interest expense (income)	735	(683)	52
Subtotal	62,566	(57,680)	4,886
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	474	-	474
Experience adjustments	(86)	-	(86)
Re-measurement on defined benefit assets	-	(227)	(227)
Subtotal	388	(227)	161
Benefits paid	(3,643)	3,643	-
Contributions by employer	-	(4,836)	(4,836)
As of December 31, 2023	$59,311	($59,100)	$211

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2023.12.31	2022.12.31
Discount rate	1.20%	1.20%
Expected rate of salary increases	1.50%	1.20%

Sensitivity analysis

	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased 0.5%	$281	-	-	$1,227
Discount rate decreased 0.5%	-	$227	$2,316	-
Expected salary increased 0.5%	44	-	2,295	-
Expected salary decreased 0.5%	-	21	-	1,232

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

14. Equity

(1) Common stock

A. On November 17, 2023, the company conducted a cash capital increase through private equity and issued 30,000 thousand new shares, with a nominal value of NT$10 per share, issued at a premium of NT$15.56 per share, and the paid-in amount was NT$466,800. November 17 is the base date for capital increase, and the rights and obligations of the new private placement shares will be the same as the issued ordinary shares upon completion of the change registration on December 12, 2023. However, according to the provisions of the Securities and Exchange Act, privately placed ordinary shares cannot be freely transferred within three years after issuance.

B. As of December 31, 2023 and December 31, 2022, the company's rated share capital is NT$1,350,000 thousand, with a nominal value of NT$10 per share, both of which are 135,000 thousand shares. The issued ordinary shares are respectively 106,880 thousand shares (including 30,000 thousand shares of private equity) and 76,880 thousand shares. All shares issued have been paid and each share is entitled to one vote and the right to receive dividends.

(2) Capital surplus

	2023.12.31	2022.12.31
Additional paid-in capital	$172,800	$6,000
Others	5,460	5,460
Total	$178,260	$11,460

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount as legal reserve.
(d) Set aside or reverse special reserve in accordance with law and regulations; and
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting

The distribution of dividends to shareholders of the company can be paid in cash or shares. The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition, capital budgets as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The dividends in cash shouldn't less than 10% of the shareholder dividends. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

According to Taiwan's Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total paid-in capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

The FSC on 31 March 2022 issued Order No. Financial-Supervisory-Securities-Corporate 1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion and transfer to retained earnings.

As of December 31, 2023 and 2022, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$49,531 thousand. The Company did not incur any special reserve to retained earnings during the year ended December 31, 2023 and 2022.

the appropriations of earnings for the years 2022 and 2021 were approved through the stockholders' meeting held on June 22, 2023 and June 22, 2022, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2022	2021	2022	2021
Legal reserve	-	$1,420	-	-
Special reserve	-	4,385	-	-

Please refer to Note 6.18 for details on employees' compensation and remuneration to directors and supervisors.

15. Operating revenues

	2023	2022
Revenue from contracts with customers		
Sale of goods	$1,262,028	$1,591,875
Labor services	28,755	15,270
Other revenue	-	3,407
Total	$1,290,783	$1,610,552

Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

(1) Disaggregation of revenue

2023

	Taiwan	USA	Mainland China	Total
Sale of goods	$550,502	$454,247	$256,426	$1,261,175
Labor services	28,328	-	1,280	29,608
Total	$578,830	$454,247	$257,706	$1,290,783

2022

	Taiwan	USA	Mainland China	Total
Sale of goods	$873,661	$445,315	$272,899	$1,591,875
Labor services	15,270	-	-	15,270
Other income	3,401	-	6	3,407
Total	$892,332	$445,315	$272,905	$1,610,552

The timing for revenue recognition of the Group and the Customers: at a same point in time

(2) Contract balances

Contract liabilities - current

	2023.12.31	2022.12.31	2022.01.01
Sale of goods	$67,726	$68,272	$98,741

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
The opening balance transferred to revenue	($59,685)	($77,849)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	59,478	47,380
Exchange differences	(339)	-
Total	($546)	($30,469)

16. Expected credit losses (gain)

	2023	2022
Operating expenses – expected credit losses (gains)		
Account receivables	($8,747)	$16,588

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivable, notes receivable – related parties, accounts receivable and accounts receivable – related parties) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2023 and 2022 are as follows:

(1) The Group considers the grouping of trade receivables by counter parties' credit rating, geographical region and industry sector as well as loss allowance measured by provision matrix. Details are as group 1.

(2) The Group used individual customer evaluation method to evaluate the customers who have unsatisfactory credibility. Please refer to group 2 for further details.

December 31, 2023

Group 1

	Not yet due	Past due				
	(Note 1)	1-90 days	91-180 days	181-365 days	366 days or above	Total
Gross carrying amount	$130,577	$46,201	$9,036	$9,654	$23,516	$218,984
Loss ratio	-	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(231)	(90)	(483)	(23,516)	(24,320)
Carrying amount of trade receivables	$130,577	$45,970	$8,946	$9,171	-	$194,664

December 31, 2022

Group 1

	Due	Past due				
	(Note 1)	1-90 days	91-180 days	181-365 days	366 days or above	Total
Gross carrying amount	$268,819	$31,043	$5,505	$5,133	$32,721	$343,221
Loss ratio	-	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(155)	(55)	(257)	(32,721)	(33,188)
Carrying amount of trade receivables	$268,819	$30,888	$5,450	$4,876	-	$310,033

Note 1：All the Group's notes receivables were not past due

Note 2：The Group used individual customer evaluation method to measure expected credit losses.

The movement in the provision for impairment of account receivable (including notes receivable, notes receivable – related parties, accounts receivable and account receivable – related parties) for the years ended December 31, 2023 and 2022 are as follows:

	Notes receivable	Accounts receivable
2023.01.01	-	$33,188
Reversal for the current period	-	(8,747)
Effect of exchange rate changes	-	(121)
2023.12.31	-	$24,320
2022.01.01	-	$17,686
Addition for the current period	-	16,588
Write off	-	(4,259)
Effect of exchange rate changes	-	3,173
2022.12.31	-	$33,188

17. Leases

(1) The Group as a lessee

The Group leases properties, including lands, buildings and constructions. The lease terms range from 3 to 43 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Carrying amount

	2023.12.31	2022.12.31
Buildings and constructions	$36,782	$33,836
Lands	22,502	20,713
Transportation equipment	1,004	1,874
Total	$60,288	$56,423

Some of the leases were terminated, in 2022, the right-of-use assets and lease liabilities were reduced NT$2,818 thousand and NT$2,921 thousand respectively, and generated NT$103 thousand for lease modification gain.

Right-of-use assets increased NT$28,465 thousand and NT$0 for the years ended in December 31, 2023 and 2022 respectively.

Please refer to Note 8 for more details regarding right-of-use assets under pledge.

(b) Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities		
Current	$25,336	$14,707
Noncurrent	14,194	21,156
Total	$39,530	$35,863

Please refer to Note 6.19(4) for the interest on lease liabilities recognized during the year ended December 31, 2023 and 2022 refer to Note12.5 Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	2023.01.01~ 2023.12.31	2022.01.01~ 2022.12.31
Buildings and constructions	$21,180	$17,564
Transportation equipment	1,356	1,124
Lands	1,872	531
Total	$24,408	$19,219

C. Income and costs relating to leasing activities

	2023.01.01~ 2023.12.31	2022.01.01~ 2022.12.31
Short term lease expenses	$4,315	$2,754

D. Cash outflow relating to leasing activities

Cash outflow for leasing were NT$30,313 thousand and NT$23,739 thousand for the year ended on December 31, 2023 and 2022 respectively.

18. Summary of employee benefits, depreciation and amortization expenses by function is as follows:

Function / Nature	2023.01.01~2023.12.31			2022.01.01~2022.12.31		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$66,437	$162,885	$229,322	$64,489	$149,548	$214,037
Labor and health insurance	7,963	14,685	22,648	7,761	14,298	22,059
Pension	2,272	5,972	8,244	2,007	5,142	7,149
Other employee benefits	1,381	10,269	11,650	2,376	10,352	12,728
Depreciation	17,197	39,028	56,225	18,677	40,026	58,703
Amortization	-	2,004	2,004	-	2,748	2,748

According to the Company's articles of incorporation, not less than 2% of profit of the current year is distributable as bonus to employees and not higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The company's estimated employee remuneration and director's remuneration in 2023 are NT$3,237 thousand and NT$3,237 thousand respectively, which are listed under salary expenses.

The Company did not estimate the amounts of the bonus to employees and the remuneration to directors and supervisors for the year ended December 31, 2022 due to loss in operation.

19. Non-operating income and expenses

(1) Interest income

	2023	2022
Financial assets measured at amortized cost	$3,085	$820

(2) Other income

	2023	2022
Rents	$4,290	$3,973
Dividends	10	10
Other income - other	17,147	4,764
Total	$21,447	$8,747

(3) Other gains and losses

	2023	2022
Foreign exchange gains (losses), net	$687	$3,244
Gain (loss) on disposal of property, plant and equipment	221,377	289
Gains on lease modification	-	103
Losses on intangible asset impairments	-	(785)
Miscellaneous	(783)	(2,888)
Total	$221,281	($37)

(4) Finance costs

	2023	2022
Interest on borrowings from bank	$41,611	$28,289
Interest on lease liabilities	1,011	983
Total	$42,622	$29,272

20. Componenets of other comprehensive income

For the year ended December 31, 2023

	Arising during the period	Other comprehensive income	Income tax expense	OCI net of tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	($161)	($161)	$32	($129)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	5,834	5,834	-	5,834
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	(631)	(631)	(802)	(1,433)
Share of other comprehensive income (loss) of associates and joint ventures	(2,038)	(2,038)	-	(2,038)
Total	$3,004	$3,004	($770)	$2,234

For the year ended December 31, 2022

	Arising during the period	Other comprehensive income	Income tax expense	OCI net of tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	$3,465	$3,465	($693)	$2,772
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(2,579)	(2,579)	-	(2,579)
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	41,229	41,229	(10,301)	30,928
Share of other comprehensive income (loss) of associates and joint ventures	1,716	1,716	-	1,716
Total	$43,831	$43,831	($10,994)	$32,837

21. Income tax

The major components for income tax expense for the years ended December 31, 2023 and 2022 are as follows

A. Income tax expense (benefit) recognized in profit and loss

	2023	2022
Current income tax expense:		
Current income tax charge	$9,875	$20,684
land value increment tax	18,617	-
Adjustments in respect of current income tax of prior periods	21,787	-
Deferred income tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,811	14,996
Total income tax expense	$54,090	$35,680

B. Income tax relating to components of other comprehensive income

	2023	2022
Deferred income tax expense (benefit):		
Exchange differences resulting from translating the financial statements of foreign operations	$802	$10,301
Actuarial gains or losses on defined benefit plans	(32)	693
Income tax relating to components of other comprehensive income	$770	$10,994

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2023	2022
Accounting profit before tax from continuing operations	$169,742	$12,685
Tax at the domestic rates applicable to profits in the country concerned	$41,744	$8,853
Tax effect of tax allowance	(47,276)	(2)
Tax effect of expenses not deductible for tax purposes	-	212
Tax effect of deferred tax assets/liabilities	19,218	25,467
Tax on undistributed earnings	-	420
Others	-	730
Land Value Increment Tax	18,617	-
Adjustments in respect of current income tax of prior periods	21,787	-
Total income tax expense recognized in profit or loss	$54,090	$35,680

D. Deferred tax assets (liabilities) relate to the following:

(1) For the year ended December 31, 2023

Item	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized exchange loss (gain)	($534)	$333	-	($201)
Unrealized loss on financial asset impairment	240	(240)	-	-
Expected loss	6,888	(220)	-	6,668
Expected loss on inventory valuation	24,967	2,153	-	27,120
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	1,539	(678)	-	861
Unrealized deferred margin	9,244	778	-	10,022
Unused tax losses	21,249	-	-	21,249
Gain of investment for using equity method	(46,263)	18,844	-	(27,419)
Defined benefit liability - noncurrent	(2,578)	(848)	-	(3,426)
Advance withdrawal expenses	1,659	(267)	-	1,392
Unrealized asset depreciation expenses	(3,372)	(989)	-	(4,361)
Exchange differences resulting from translating the financial statements of foreign operations	(1,769)	-	($802)	(2,571)
Changes on actuarial loss or gain	11,399	-	32	11,431
Land value increment tax	(15,335)	6,149	-	(9,186)
Other deferred tax assets	3,997	(239)	-	3,758
Deferred income tax expenses		$24,776	($770)	
Net deferred income tax assets	$11,517			$35,523
Reflected in balance sheet as follows:				
Deferred income tax assets	$82,789			$82,974
Deferred income tax liabilities	($71,272)			($47,451)

(2) For the year ended December 31, 2022

Item	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized exchange loss (gain)	$1,269	($1,803)	-	($534)
Unrealized loss on financial asset impairment	240	-	-	240
Expected loss	5,939	949	-	6,888
Expected loss on inventory valuation	17,058	7,909	-	24,967
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	1,221	318	-	1,539
Unrealized deferred margin	6,344	2,900	-	9,244
Unused tax losses	31,405	(10,156)	-	21,249
Gain of investment for using equity method	(31,074)	(15,189)	-	(46,263)
Defined benefit liability - noncurrent	(1,254)	(1,324)	-	(2,578)
Advance withdrawal expenses	607	1,052	-	1,659
Unrealized asset depreciation expenses	(3,827)	455	-	(3,372)
Exchange differences resulting from translating the financial statements of foreign operations	8,532	-	($10,301)	(1,769)
Changes on actuarial loss or gain	12,092	-	(693)	11,399
Land value increment tax	(15,335)	-	-	(15,335)
Other deferred tax assets	4,104	(107)	-	3,997
Deferred income tax expenses		($14,996)	($10,994)	
Net deferred income tax assets	$37,507			$11,517
Reflected in balance sheet as follows:				
Deferred income tax assets	$81,839			$82,789
Deferred income tax liabilities	($44,332)			($71,272)

(3) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized amounts to NT$49,101 thousand and NT$30,389 thousand respectively.

E. The assessment of income tax returns

As of December 31, 2023, the assessment status of income tax returns of the Group was as follows:

	The assessment of income tax returns
Falcon Machine Tools Co., Ltd.	Assessed and approved up to 2021
Subsidiary – Lin Yu International Industrial Co., Ltd.	Newly established, not yet assessed

The Group's foreign subsidiaries are under the taxation regulations in their respective countries. Their income tax returns were assessed up to 2022.

F. Unused tax losses are as follows:

Falcon Machine Tools Co., Ltd.

		Unused tax losses as of		
Year	Loss	2023.12.31	2022.12.31	Expiration year
2015	$32,752	$10,093	$10,115	2025
2016	57,058	56,760	57,058	2026
2017	20,249	19,951	20,249	2027
2019	7,418	7,418	7,418	2029
2020	56,946	56,946	56,946	2030
		$151,168	$151,786	

Chevalier Machinery Co., Ltd. (Suzhou) (in RMB)

		Unused tax losses as of		
Year	Loss	2023.12.31	2022.12.31	Expiration year
2017	$3,032	-	$3,032	2022
2019	7,450	7,450	7,450	2024
2020	1,171	1,171	1,171	2025
2022	4,514	4,514	-	2027
		$13,135	$11,653	

22. Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

	2023	2022
(1) Basic earnings per share		
Net income attributable to common shareholders of the Parent	$115,652	($22,995)
Weighted average number of common stocks outstanding (in thousand shares)	80,589	76,880
Basic earnings per share (in NT$)	$1.44	($0.30)

	2023	2022
(2) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company	$115,652	($22,995)
Net income attributable to ordinary equity holders of the Company after dilution	$115,652	($22,995)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	80,589	76,880
Effect of dilution:		
Employee bonus stock (in thousand shares) (Note)	170	-
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	80,759	76,880
Diluted earnings per share (in NT$)	$1.43	($0.30)

Note: although the consolidated net income before tax was a gain, the net income of the Company's before tax was a loss. The Company did not estimate the employee bonus and remuneration to directors in according with the articles of incorporation and related regulations.

There have been no other transactions involving common shares or potential common shares between the reporting date and the date the financial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Related parties	Relationship
Focus CNC Co., Ltd.	Associate
Hwang Kang Machinery Co., Ltd.	Associate
Fulson Industrial Co., Ltd.	Substantive related party
Lin, Tsung-Lin and other 15 persons	Key management personnel (Note)

Significant transactions with related parties

1. Sale

	2023	2022
Fulson Industrial Co., Ltd.	$3,998	$6,701
Hwang Kang Machinery Co., Ltd.	-	538
Total	$3,998	$7,239

The sales price to the related parties was determined through mutual agreement in reference to market conditions. The collection periods to related parties were month-end 30~180 days. The outstanding payment at the end of the year were not pledged, interest-free and subject to pay in cash.

2. Purchase

	2023	2022
Fulson Industrial Co., Ltd.	$77,373	$106,788
Focus CNC Co., Ltd.	7,563	8,722
Hwang Kang Machinery Co., Ltd	2,086	5,949
Total	$87,022	$121,459

The purchase prices from the related parties were determined through mutual agreement in reference to market conditions. The payment periods to related parties were the same with other company, and were month end 60 days in cheque.

3. Lease – related parties

Rental income

	2023	2022
Fulson Industrial Co., Ltd.	$221	$885
Focus CNC Co., Ltd.	72	144
Total	$293	$1,029

The Group leases machines, lands, buildings and constructions to associates. The rental price was determined through mutual agreements in reference to market conditions. Rents charged monthly and the related incomes are listed in non-operating income and expenses – rent.

4. Notes receivable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	$272	$979
Focus CNC Co., Ltd.	-	96
Total	$272	$1,075

5. Accounts receivable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	$78	$144

6. Notes payable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	$20	$18

7. Accounts payable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	$20,574	$13,623
Hwang Kang Machinery Co., Ltd.	1,062	1,462
Focus CNC Co., Ltd.	86	6,056
Others	9	-
Total	$21,731	$21,141

8. Key management personnel bonus and compensations

	2023	2022
Short-term employee benefits	$9,568	$10,809
Post-employment benefits	540	1,183
Total	$10,108	$11,992

8. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral are as follows:

	Carrying Amount		
Item	2023.12.31	2022.12.31	Content of pledge
Accounts receivable	$66,405	$157,423	Long and short term loan
Properties, plants and equipment – buildings and constructions	106,469	112,684	Long term loan
Properties, plants and equipment -lands	105,325	105,325	Long and short term loan
Noncurrent assets held for sale - lands	-	54,130	Long and short term loan
Financial assets at amortized cost - noncurrent	46,518	38,413	Deposit
Noncurrent assets held for sale – buildings and constructions	-	24,397	Long and short term loan
Right-of-use – lands	19,814	20,713	Short term loan
Investment properties	10,074	10,462	Long term loan
Financial assets at amortized cost - current	32,257	1,986	Deposit
Total	$386,862	$525,533	

9. COMMITMENTS AND CONTINGENCIES

1. As of December 31, 2023, there was a deposit of NT$1,000 thousand for loan has yet to recollect.

2. Please refer to Note 13.1(2) for further details regarding the Group's endorsements and guarantees as of December 31, 2023.

3. As of December 31, 2023, King's Town Bank has issued a letter of credit for NT$103,890 thousand as guarantee to Taiwan Sugar Corp. for the project of joint development of land.

10. LOSSES DUE TO MAJOR DISASTERS

None

11. SIGNIFICANT SUBSEQUENT EVENTS

None

12. OTHERS

1. Categories of financial instruments

Financial assets	2023.12.31	2022.12.31
Financial assets at fair value through other comprehensive income	$24,538	$22,630
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	834,748	338,836
Financial assets measured at amortized cost - current	32,257	1,986
Notes receivable (including related parties)	26,443	26,592
Accounts receivable (including related parties)	168,221	283,441
Other receivables	18,351	11,975
Financial assets measured at amortized cost - noncurrent	46,518	38,413

Financial liabilities	2023.12.31	2022.12.31
Financial liabilities measured at amortized cost:		
Short-term loan	$247,828	$450,940
Notes and accounts payable (including related parties)	249,465	262,084
Other payables	88,748	84,803
Long-term loan (including due within a year)	760,310	649,092
Lease liabilities (including current and noncurrent)	39,530	35,862

2. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before the Group enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analyses is as follows:

(1) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT$113 thousand and NT$359 thousand respectively.

(2) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT$42 thousand and NT$293 thousand respectively.

(3) When NTD strengthens/weakens against USD by 1%, the Equity for the years ended December 31, 2023 and 2022 is decreased/increased by NT$327 thousand and NT$1,820 thousand respectively.

(4) When NTD strengthens/weakens against RMB by 1%, the Equity for the years ended December 31, 2023 and 2022 is decreased/increased by NT$838 thousand and NT$464 thousand respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans at variable and fixed interest rates.

The interest rate sensitivity analysis is performed on items exposed to loans at variable interest rate as at the end of the reporting period. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by NT$1,008 thousand and NT$880 thousand respectively.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023 and 2022, accounts receivable from top ten customers represent 58% and 62% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and short-term notes payables. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2023.12.31					
Short-term loan	$248,121	-	-	-	$248,121
Notes and accounts payables	249,465	- -	- -	-	249,465
Other payables	88,748	-	-	-	88,748
Lease liabilities	28,385	$12,062	$2,462	-	42,909
Long-term loan (including due within a year)	82,176	430,412	306,936	-	819,524
2022.12.31					
Short-term loan	$451,400	-	-	-	$451,400
Notes and accounts payables	262,084	- -	- -	-	262,084
Other payables	84,803	-	-	-	84,803
Lease liabilities	17,250	$30,975	$3,100	$1,013	52,338
Long-term loan (including due within a year)	263,512	422,557	-	-	686,069

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term loans	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2023.01.01	$450,940	$649,092	$35,863	$1,135,895
Cash flows	(202,467)	112,657	(25,998)	(115,808)
Non-cash flows	-	-	29,475	29,475
Exchange differences	(645)	(1,439)	190	(1,894)
2023.12.31	$247,828	$760,310	$39,530	$1,047,668

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Short-term note payables	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2022.01.01	$273,493	$29,955	$675,068	$54,306	$1,032,822
Cash flows	175,206	(29,955)	(36,056)	(20,002)	89,193
Exchange differences	2,241	-	10,080	1,559	13,880
2022.12.31	$450,940	-	$649,092	$35,863	$1,135,895

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, bonds etc.) at the reporting date.

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Bank loans and other noncurrent liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

8. Derivative financial instruments

As of December 31, 2023 and 2022, there was no derivative financial instruments for the Group.

9. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on non-recurring basis as well as assets and liabilities that are measured at fair value on a recurring basis.

(3) Fair value measurement hierarchy of assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	-	-	$24,743	$24,743
Financial assets at fair value through other comprehensive income – noncurrent	-	-	24,538	24,538

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	-	-	$24,743	$24,743
Financial assets at fair value through other comprehensive income – noncurrent	-	-	22,630	22,630

10. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: thousand

	2023.12.31			2022.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items						
USD	$4,575	30.705	$140,475	$6,853	30.710	$210,456
RMB	981	4.327	4,244	6,698	4.408	29,525
Financial liabilities						
Monetary items:						
USD	4,943	30.705	151,775	8,021	30.710	246,325

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were varieties of foreign currency transactions of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Group recognized exchange gain (loss) amounted to NT$687 thousand and NT$3,244 thousand for the years ended December 31, 2023 and 2022 respectively.

11. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

12. Financial asset transferal information

The group entered into assignment agreements with recourse with financial institutions regarding some of its accounts receivable. Although the group transfers the contract rights of the cash flow from such accounts receivable, the group still has to bear the credit risk in accordance with the agreement in the event the accounts receivable is not recoverable. The transaction information is as follows:

2023.12.31

Lender	Amount assigned	Prepaid amount (note)
Export Import Bank of the Republic of China	$66,405	$59,660

2022.12.31

Lender	Amount assigned	Prepaid amount (note)
Export Import Bank of the Republic of China	$157,423	$154,181

Note: Reported on short-term loans, due within a year or an operating cycle, and long-term loan.

13. OTHER DISCLOSURES

1. Information about significant transitions

(1) Financing provided to others: None

(2) Endorsement/Guarantee provided to others

Ref No.	Endorsement/ Guarantee Provider (Name)	Guaranteed Party		Limits on Endorsement /Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 2)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
		Name	Relationship										
0	Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	Subsidiary	$983,961	$92,115	$92,115	$92,115	-	6.56%	$1,124,527	Y	N	N

Note 1:Limits on endorsement/guarantee amount provided to each guaranteed party is 70% of net worth for December 31, 2023

Note 2:Total amount of endorsement/guarantee provided limited to 80% of net worth for December 31, 2023.

(3) Securities held (excluding subsidiaries, associates and joint ventures):

Company Held	Security Type and Name	Relationship with Issuer	Financial Statement Account	As of December 31, 2023			
				Share (Unit)	Carrying Amount	Shareholding %	Fair Value
Falcon Machine Tools Co., Ltd.	Zheng Cheng He Corporate Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	120,000	-	15.00%	-
Falcon Machine Tools Co., Ltd.	Qing Jing Xiang Asset Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,500,000	$14,866	10.00%	$14,866
Falcon Machine Tools Co., Ltd.	Qing Jing Ning Construction Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,002,000	$9,672	5.00%	$9,672

(4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more: None

(5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more: none

(6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more:

Disposed Company	Name of Property	Transaction Date	Acquisition date	Carrying amount	Transaction Amount	Price collection situation	Gains and losses on disposal	Trading partners	Relationship	Purpose and Use of Disposal	Price Reference	Other Terms
Falcon Machine Tools Co., Ltd.	Non-current assets for sale (Taya District, Taichung City)	2023/7/7	1979/1/1	$78,898	$297,890	Take back all	$218,856	E-tech Machinery	None	Cost saving, revival assets and strengthen operational capital	Reference to market conditions and appraisal report	None

(7) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2022

Company Name	Related Party	Relationship	Transaction Details				Different		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/Collection Term	Unit price	Credit period	Balance	% to Total	
Falcon Machine Tools Co., Ltd.	CHEVALIER MACHINERY ,LTD.	Subsidiary	Sale	$270,271	31.56%	Same as other customers	None	None	$28,595	17.43%	

(8) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2022: None

(9) Financial instruments and derivative transactions: None

(10) Significant intercompany transactions between the parent with subsidiaries or among subsidiaries: Please refer to Note 13.1(7).

2. Information on investees:

Information on investees are as follows (excluding investment in Mainland China)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares (in thousand)	%	Carrying Amount (Note 4)			
Falcon Machine Tools Co., Ltd.	Chevalier Machinery, Inc.	9925 TABOR PLACE, SANTA FE SPRINGS, CA90670, USA	Machine imports and distributions	$103,047	$103,047	2,120	100.00 %	$167,178	$32,468	$33,161	Note 2, 3, 4
Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	P.O. BOX 3321 ROAD TOWN, TORTOLA (B.V.I)	General investment	$279,900	$279,900	8,795	100.00 %	$129,888	($33,595)	($33,509)	Note 1, 2, 3, 4
Falcon Machine Tools Co., Ltd.	Lin Yu International Industrial Co., Ltd.	8F, No. 150, Bo’ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	Real Estate Agent	$150,000	$50,000	15,000	100.00 %	$129,749	($19,648)	($19,648)	Note 3
Falcon Machine Tools Co., Ltd.	Hwang Kang Machinery Co., Ltd.	No. 262, Xinggong Rd., Hemei Township, Changhua County 508003, Taiwan (R.O.C.)	Sheet-metal and parts manufacturing and processing	$17,897	$17,897	2,287	40.18%	$19,664	($11,832)	($4,754)	Note 2

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares (in thousand)	%	Carrying Amount (Note 4)			
Falcon Machine Tools Co., Ltd.	Focus CNC Co., Ltd.	No. 16, Longshan 2nd St., Daya Dist., Taichung City 428006, Taiwan (R.O.C.)	Machine manufacturing and processing	$16,910	$16,910	8,337	39.18%	$138,848	$19,304	$7,564	Note 2
Falcon Machine Tools Co., Ltd.	Ching Young International Industrial CO., LTD	5 F., No. 150, Bo’ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	Real Estate Agent	$15,000	-	1,500	7.50%	$17,149	$45,449	$2,149	
Lin Yu International Co., Ltd.	Ching Young International Industrial CO., LTD	5F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	Real Estate Agent	$9,900	-	990	4.95%	$13,036	$45,449	$3,136	
Lin Yu International Co., Ltd.	Shang Jia Real Estate Co., Ltd.	18F.-2, No. 317, Minghua Rd., Gushan Dist., Kaohsiung City	Housing and Building Development and Rental	$75,000	-	7,500	30%	$75,232	$765	232	

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares (in thousand)	%	Carrying Amount (Note 4)			
Lin Yu International Co., Ltd.	Jia Cen International Co., Ltd.	20F.-1, No. 251, Minquan 1st Rd., Xinxing Dist., Kaohsiung City	Real Estate Agent	$6,000	-	600	30%	$4,025	($6,584)	($1,975)	
Lin Yu International Co., Ltd.	Jia Yang Enterprise Co., Ltd.	20F.-1, No. 251, Minquan 1st Rd., Xinxing Dist., Kaohsiung City	Real Estate Agent	$6,000	-	600	30%	$4,560	($4,800)	($1,440)	

Note 1: The investment income of the investees including the recognized gains and losses of their further investments in their investees.

Note 2: The investment income of the investees including the investment gains or losses generated from downstream, upstream or sidestream deals.

Note 3: It has been consolidated written off.

Note 4: Carrying amounts including unrealized downstream gains or losses of related parties.

3. Information on investments in Mainland China:

(1) The Group invests in Mainland China through Lucky Investment Services Inc. and Chevalier Machinery Co., Ltd. (Shanghai). The following consolidated inter-company transactions have been offset.

Company	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow					
Chevalier Machinery Co., Ltd. (Shanghai)	Machine Tools Manufacture and Distribution	$104,090 (USD3,390 thousand)	Indirectly invested by establishing a company in a third country	$232,375 (USD7,568 thousand)	-	-	$232,375 (USD7,568 thousand)	100.00%	($7,645) (Note 1)	$89,075	-
Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	$409,543 (USD13,338 thousand)	Indirectly invested by establishing a company in a third country	-	-	-	-	100.00%	($27,115) (Note 1)	$155,282	-

Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$232,375 (USD7,568 thousand)	$365,727 (USD11,911 thousand)	N/A (Note 2)

Note 1: According to audited financial statements

Note 2: According to Ministry of Economic Affairs Decree Jing-Gong No.11120415670 issued by Industrial Development Bureau on May 18, 2022, The Group's investment in Mainland China is not restricted by 60% of net worth or consolidated net worth set by Investment Review Committee.

Note 3: In according with Second Amendment of No.11100096200 issued by Ministry of Economic Affairs on July 11, 2022, the Company is permitted to invest USD342,622 to Lucky Investment Services.

(2) For the year ended December 31, 2023, the Group's significant transactions with investees in Mainland China that have taken place in a third country:

a. Sale

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	$ 23,105

b. Accounts receivable

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	$ 8,301

c. Endorsement/Guarantee

Please refer to consolidated note 13.1(2) for further details.

4. Information on major shareholders:

As of December 31, 2023

Shareholder \ Share	Share Unit	%
Lin Ju Investment Co., Ltd.	10,061,000	9.41%
LIN, TSUNG-LIN	8,301,000	7.76%
LYU,JIN-FA	5,981,000	5.59%

14. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

1. Falcon in Taiwan: for manufacturing, processing and marketing and sales of CNC grinder, milling machine, vertical lathe, comprehensive processing machine etc.

2. Chevalier Machinery, Inc. (abbrev. C.M.I.): for marketing and sales in north America region.

3. Mainland region：for manufacturing, processing of grinder, milling machine etc. and marketing and sales in Mainland region.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, the income tax measured in the consolidated financial statements were based on the Group's management and have not been allocated to operating segments.

Prices for inter-segment transactions were based on the prices of normal transactions with third parties.

Reportable segment information was as follows:

(1) For year ended December 31, 2023

	Taiwan Falcon	America	Mainland Region	Other Segments	Adjustments and eliminations	Total
Revenues						
External customers	$562,930	$454,247	$257,706	$15,900	-	$1,290,783
Inter-segment	293,376	167	1,459	-	($295,002)	-
Total	$856,306	$454,414	$259,165	$15,900	($295,002)	$1,290,783
Segment gains or loss	$159,344	$43,556	($34,671)	($53,250)	$54,763	$169,742
Segment assets	$2,543,094	$350,165	$511,237	$386,467	($861,593)	$2,929,370

For year ended December 31, 2022:

	Taiwan Falcon	America	Mainland Region	Other Segments	Adjustments and eliminations	Total
Revenues						
External customers	$892,752	$445,104	$272,696	-	-	$1,610,552
Inter-segment	298,783	211	209	-	($299,203)	-
Total	$1,191,535	$445,315	$272,905	-	($299,203)	$1,610,552
Segment gains or loss	($2,204)	$33,641	($57,044)	($64,745)	$103,037	$12,685
Segment assets	$2,079,164	$412,898	$571,345	$325,891	($916,074)	$2,473,224

2.revenue, gains or losses, assets, liabilities and other significant items of the reportable segments were not adjusted.

3.Geographical information

(1)Revenues from external customers：

	2023	2022
America	$516,935	$590,203
Mainland China	427,886	522,717
Taiwan	70,233	135,204
Europe	133,572	95,399
Others	142,157	267,029
Total	$1,290,783	$1,610,552

The revenue information above is based on the location of the customer.

(2) Noncurrent assets

	2023.12.31	2022.12.31
Taiwan	$231,949	$225,645
Mainland China	114,038	121,071
America	22,783	29,863
Total	$368,770	$375,579

4.Information about major customers

The Group's customers whose sales revenue accounted for more than 10% of the revenue on the income statement in 2023 and 2022: None.

Independent Auditors' Report

To Falcon Machine Tools Company Limited

Opinion

We have audited the accompanying parent company only balance sheets of Falcon Machine Tools Company Limited (the "Company") and as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements, including the summary of material accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and their parent company only financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significant in our audit of 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Receivable Impairment (including receivables of the subsidiaries invested by using Equity Method)

The account receivables of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the recoverable of the receivables is a key factor to the company's working capital, the Company's judgements, analyses and estimations as well as the subsequent result could have impact on the account receivable. We therefore considered the receivable impairment a key audit matter.

Our audit procedure includes, but not limited to, assess the effectiveness of the Company's internal control on clients' credit risk management, its management on receivables by assessing the reasonability of the periods of the receivables' age on all groups, assess the accuracy of the original vouchers by random audit; assess the accuracy by recalculating the periods of the receivables' age according to the trading terms, judge the reasonability of allowing the individual clients to have large past due amount or long term past due, and assess the reasonability of non-individual clients' (group assess) allowance by recalculating it in accordance with allowance policy. Random audit the receivable confirmations and review the past due subsequent receivables to evaluate the possibility of recoverable.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the account receivables.

2. Inventory Valuation (including inventory valuation of the subsidiaries invested by using Equity Method)

The net inventory of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the Group is primarily engaged in manufacturing and processing of grinder and lathe products. And the products are tailor-made, high unit price and for long duration. The judgement on slow-moving or expired inventory valuation would be a significant factor. We therefore considered the inventory valuation a key audit matter.

Our audit procedure includes, but not limited to, understand and assess the effectiveness of the internal control on inventory, evaluate the appropriateness of the account policy on slow-moving and expired inventory, assess the accuracy of the periods of the inventories' age, evaluate and observe the age of inventory variables in order to judge the reasonability of the slow-moving and expired inventory's reserve.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the inventory.

Other Matter – Making Reference to the Audits of Other Auditor

Part of the investees' financial statements in the parent company only financial statements were audited by component auditors and have not been audited by us. Thus the amounts stated in the parent company only financial statements regarding the investees were according to the audits of the component auditors. As of December 31, 2023 and 2022, the investees' investment for using Equity Method were NT$186,842 thousand and NT$255,173 thousand respectively, which stand for 7% and 12% of the total assets. The comprehensive income shares of investees' investments in subsidiaries, associates and joint ventures for using Equity Method for the years then ended were NT$25,109 thousand and NT$29,012 thousand respectively, which stand for 16% and (1316)%. The comprehensive income shares of the investments in associates and joint ventures for using Equity Method were NT$4,012 thousand and NT$36,341 thousand, which stand for 180% and 111% of other comprehensive income.

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 requirements of 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 the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditors's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Chen,Cheng-Chu

Hung, Kuo-Sen

Ernst & Young, Taiwan

March 11, 2024

Notice to Readers

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management , Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Balance Sheets
December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Assets		Dec 31, 2023		Dec 31, 2022	
Contents	Notes	Amount	%	Amount	%
Current Asset					
Cash and cash equivalents	4,6(1)	$753,432	30	$138,796	7
Financial assets measured at amortized cost are assets - current	4,6(2),8	29,589	1	-	-
Notes receivable	4,6(3)	18,436	1	17,658	1
Notes receivable - related parties	4,6(3),7	272	0	1,075	0
Accounts receivable, net	4,6(4)	96,082	4	217,838	10
Accounts receivable - related parties, net	4,6(4),7	36,975	1	56,012	3
Other receivables	4,7	13,875	1	11,941	1
Current tax assets		262	0	21,916	1
Inventories	4,6(5)	610,825	24	549,356	26
Prepayments		12,027	0	9,863	0
Assets held for sale	4,6(6),8	-	-	78,898	4
Other current assets		10,064	0	14,187	1
Total current assets		1,581,839	62	1,117,540	54
Non-current assets					
Financial assets measured at fair value through other comprehensive income - non-current	4,6(7)	24,538	1	22,630	1
Financial assets measured at amortized cost - non-current	4,6(2),8	46,518	2	38,413	1
Investment accounted for using equity method	4,6(8)	602,476	24	610,446	29
Property, plant and equipment	4,6(9),8	180,758	7	190,914	9
Right-of-use assets	3,6(17)	21,069	1	11,148	1
Investment property	4,6(10),8	10,074	0	10,462	1
Intangible assets	4	5,333	0	10,769	1
Deferred tax assets	4,6(21)	65,780	3	64,930	3
Other non-current assets	4	4,709	0	1,912	0
Total non-current assets		961,255	38	961,624	46
Total Assets		$2,543,094	100	$2,079,164	100

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

English Translation of the parent company only Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited

Parent Company Only Balance Sheets (con.)

December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity		Dec 31, 2023		Dec 31, 2022	
Content	Note	Amount	%	Amount	%
Current liabilities					
Short-term loans	4,6(11)	$173,750	7	$353,412	17
Current contract liabilities	6(15)	64,325	3	40,535	2
Notes payable		11,905	0	10,130	0
Notes payable - related parties	7	20	0	18	0
Accounts payable		145,594	6	157,780	8
Accounts payable - related parties	7	20,920	1	10,361	1
Other payables		44,613	2	44,311	2
Current tax liabilities		-	-	362	0
Lease liabilities - current	6(17)	6,414	0	1,661	0
Current portion of long-term loans	6(12)	79,944	3	236,727	11
Other current liabilities		7,273	0	10,475	1
Total current liabilities		554,758	22	865,772	42
Noncurrent liabilities					
Long-term borrowings	4,6(12)	526,841	21	313,623	15
Net deferred tax liabilities	4,6(21)	42,803	2	66,479	4
Lease liabilities - noncurrent	6(17)	12,642	0	7,848	0
Accrued pension liabilities - noncurrent	4,6(13)	211	0	4,289	0
Deposit received		180	0	180	0
Total non-current liabilities		582,677	23	392,419	19
Total liabilities		1,137,435	45	1,258,191	61
Equity attributable to the parent company	4,6(14)				
Capital					
Common stock		1,068,803	42	768,803	37
Capital reserve		178,260	7	11,460	0
Retained earnings					
Legal reserve		22,474	1	22,474	1
Special reserve		53,916	2	53,916	3
Undistributed earnings (Deficit to be offset)		107,431	4	(11,829)	(1)
Total retained earnings		183,821	7	64,561	3
Other equity					
Exchange Differences on Translation of Foreign Operations		(28,162)	(1)	(26,729)	(1)
Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income		2,937	0	2,878	0
Total of other equity		(25,225)	(1)	(23,851)	(1)
Total equity		1,405,659	55	820,973	39
Total liabilities and equity		$2,543,094	100	$2,079,164	100

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

English Translation of the parent company only Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Content	Note	2023 Amount	2023 %	2022 Amount	2022 %
Operating revenues	4,6(15),7	$856,306	100	$1,191,535	100
Operating costs	6(5),6.(18),7	(678,736)	(79)	(948,847)	(80)
Gross profit		177,570	21	242,688	20
Unrealized gross (loss)		(47,332)	(6)	(43,689)	(3)
Realized gross profit		43,689	5	29,593	2
Net operating margin		173,927	20	228,592	19
Operating expenses	6(16),6(18)				
Sales and marketing expenses		(72,251)	(8)	(87,546)	(7)
General and administrative expenses		(85,505)	(10)	(68,074)	(6)
Research and development		(48,225)	(6)	(44,493)	(4)
Expected credit impairment losses		(199)	(0)	(7,912)	(0)
Subtotal		(206,180)	(24)	(208,025)	(17)
Operating income		(32,253)	(4)	20,567	2
Non-operating income and expenses	6(19),7				
Interest income		2,814	0	745	0
Other income		13,090	2	6,253	1
Other gains and losses		222,096	26	12,062	1
Finance costs		(31,366)	(4)	(22,003)	(2)
Share of profit or loss of associates	4,6(8)	(15,037)	(2)	(19,828)	(2)
Subtotal		191,597	22	(22,771)	(2)
Net income (loss) before tax		159,344	18	(2,204)	(0)
Income tax expenses	4,6(21)	(43,692)	(5)	(20,791)	(2)
Profit from continuing operations		115,652	13	(22,995)	(2)
Other comprehensive net income	6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	6(13)	(161)	(0)	3,465	0
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		5,834	1	(2,579)	(0)
Income tax related to items that will not be reclassified		32	0	(693)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(631)	(0)	41,229	3
Share of other comprehensive income, accounted for using equity method		(2,038)	(0)	1,716	0
Income tax related to items that may be reclassified		(802)	(0)	(10,301)	(0)
Subtotal		2,234	1	32,837	3
Total comprehensive income		$117,886	14	$9,842	1
Earnings per share	4,6(22)				
Earnings per share-basic		$1.44		$(0.30)	
Earnings per share-diluted		$1.43		$(0.30)	

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

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Content	Common Stock	Capital surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Undistributed Earnings (Deficit to be offset)	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	
Balance as of January 1, 2022	$768,803	$11,460	$21,054	$49,531	$14,199	($57,657)	$3,741	$811,131
Appropriations of prior year's earnings 2021:								
Legal reserve	-	-	1,420	-	(1,420)	-	-	-
Special reserve	-	-	-	4,385	(4,385)	-	-	-
Net income in 2022	-	-	-	-	(22,995)	-	-	(22,995)
Other comprehensive income (loss) 2022	-	-	-	-	2,772	30,928	(863)	32,837
Total comprehensive income (loss)	-	-	-	-	(20,223)	30,928	(863)	9,842
Balance as of December 31, 2022	$768,803	$11,460	$22,474	$53,916	$(11,829)	($26,729)	$2,878	$820,973
Balance as of January 1, 2023	$768,803	$11,460	$22,474	$53,916	$(11,829)	($26,729)	$2,878	$820,973
Appropriations of prior year's earnings 2022:								
Legal reserve	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-
Net income in 2023	-	-	-	-	115,652	-	-	115,652
Other comprehensive income (loss) 2023	-	-	-	-	(129)	(1,433)	3,796	2,234
Total comprehensive income (loss)	-	-	-	-	115,523	(1,433)	3,796	117,886
Issue of shares	300,000	166,800	-	-	-	-	-	466,800
Disposal of euqity instrument investments measured at fair value through other comprehensive income	-	-	-	-	3,737	-	(3,737)	-
Balance as of December 31, 2023	$1,068,803	$178,260	$22,474	$53,916	$107,431	($28,162)	$2,937	$1,405,659

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

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Content	2023	2022
Cash flows from operating activities:		
Net income (loss) before tax	$159,344	($2,204)
Adjustments to reconcile net income (loss) before tax to net cash provided by operating activities:		
Provided by (used in) operating activities:		
Depreciation	24,684	31,519
Amortization	1,865	2,078
Expected credit loss	199	7,912
Interest expenses	31,366	22,003
Interest income	(2,814)	(745)
Dividend revenue	(10)	(10)
Share of loss of associates accounted for using equity method	15,037	19,828
Gain on disposal of property, plant and equipment	(221,267)	(194)
Impairment loss on non-financial assets	-	785
Loss on inventory valuation	7,016	39,057
Profit from lease modification	-	(103)
Unrealized foreign currency exchange (gains)	-	(3,773)
Unrealized profit (loss) from sales	3,643	-
Changes in operating assets and liabilities:		
Notes receivables	(778)	27,433
Notes receivables - related parties	803	996
Account receivables	121,557	(80,514)
Account receivables - related parties	19,037	(39,696)
Other receivables	(1,934)	6,937
Inventories	(60,370)	39,531
Prepayments	(2,164)	(3,312)
Other current assets	4,123	4,713
Contract liabilities - current	23,790	(31,222)
Notes payable	1,775	304
Notes payable - related parties	2	(330)
Account receivables	(12,186)	(101,844)
Account receivables - related parties	10,559	(8,322)
Other payable	(547)	(2,723)
Other current liabilities	(3,202)	2,560
Net defined benefit liabilities-non-curren	(4,078)	(15,160)
Cash generated from operations	115,450	(84,496)
Interest received	2,814	745
Dividend received	10	10
Income tax paid	(47,857)	(32,933)
Net cash provided by (used in) operating activities	70,417	(116,674)

Content	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	-	(25,020)
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,497	-
Proceeds from disposal of financial assets measured at amortized cost	(37,694)	6,931
Acquisition of investments accounted for under the equity method	(115,000)	(50,000)
Repayment of reduction of capital from investees for using equity method	-	23
Proceeds from disposal of non-current assets classified as held for sale	297,754	-
Acquisition of property, plant and equipment	(14,521)	(2,583)
Proceeds from disposal of property, plant and equipment	2,799	194
Acquisition of intangible assets	-	(362)
Increase in other non-current assets	(2,797)	-
Dividend received (cash dividend of the year of investments accounted for using equity method)	101,621	111,561
Net cash provided by investment activities	239,659	40,744
Cash flows from financing activities:		
Increase in short-term loans	736,075	963,617
Decrease in short-term loans	(915,737)	(822,991)
Increase in short-term notes payable	-	120,430
Decrease in short-term notes payable	-	(150,385)
Proceeds from long-term loans	557,539	496,677
Repayments of long-term loans	(501,104)	(538,355)
Deposit received	-	1
Repayments of lease liabilities	(8,496)	(6,935)
Proceeds from issuing shares	466,800	-
Interest paid	(30,517)	(17,970)
Net cash provided by financing activities	304,560	44,089
Net increase (decrease) in cash and cash equivalents	614,636	(31,841)
Cash and cash equivalents at beginning of period	138,796	170,637
Cash and cash equivalents at end of period	$753,432	$138,796

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

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

1. History and organization

Falcon Machine Tools Company Limited (the Company) was incorporated in 1978 as Falcon Manufacturing Company Limited. The company's primary businesses are manufacturing and processing grinders, lathes, millers, planers, drill presses, saw machines etc., and their surrounding businesses, as well as manufacturing and trading computer accessories and electronic parts, the development, leasing and sale of residential housing and building.

In response to the international business environment and our diversification development strategy, we renamed the Company to the current name. The Company listed on Taipei Exchange Market since March 25, 1998. Although our registered address was original in Taichung City, our main operating business address was moved to No.34, Xinggong Road, Shengang, Changhua County 509, Taiwan (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on March 11, 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The remaining new or amendedstandards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of material accounting policies

1. Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of Preparation

The parent company only financial statements were prepared in accordance with the Regulations. According to Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statement shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

Except for financial instruments measured at fair value, the parent company only financial statements have been prepared on historical cost basis. The Parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

3. Foreign currency transactions

The functional currency presented in the parent company only financial statements of the Company is New Taiwan Dollars ("NT Dollars" or "NT$").

Transactions in foreign currencies are initially recorded by the Company in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at fair value in a foreign currency should be translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

4. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

5. Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

(b) The Copmany holds the asset primarily for the purpose of trading

(c) The Company expects to realize the asset within twelve months after the reporting period

(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle

(b) The Company holds the liability primarily for the purpose of trading

(c) The liability is due to be settled within twelve months after the reporting period7

(d) The Copmanydoes not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

6. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits (including ones that have maturity within three months) and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

i. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Company's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

<u>Financial asset measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

ii. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Copmany measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. the time value of money; and
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the allowance for losses using the lifetime expected credit loss amount.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

iii. Derecognition of financial assets

Financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Copmany has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

iv. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Inventory

I Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on average basis
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

10. Noncurrent assets held for sale

Non-current assets or disposal Companys to be sold refer to those who can be sold immediately under general conditions and business practices under current circumstances, and are highly likely to complete the sale within one year. Non-current assets classified as for sale and the disposal Company are measured by the lower of the carrying amount and fair value less the disposal cost.

Property, plant and equipment and intangible assets once classfied as held for sale are not depreciated or amortized.

11. Investments accounted for using the equity method

The company's investment in subsidiaries is based on the provisions of Article 21 of Regulations Governing the Preparation of Financial Reports by Securities Issuers."Investments using the equity method" are expressed and adjusted as necessary to make the current profit and loss and other comprehensive losses of the individual financial statements.Profits and losses for the current period and other comprehensive profits and losses in the financial statements prepared on the combined basis are the same as those attributable to the owners of the parent company, and the owners' equity in the individual financial statements is the same as the equity attributable to the owners of the parent company in the financial statements prepared on the combined basis. These adjustments mainly take into account the treatment of investment subsidiaries in the consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements" and the differences in the application of IFRS at different reporting entity levels, and debit or credit "Use of Equity “Investments using the equity method”, “Shares of profits and losses of subsidiaries, affiliates and joint ventures using the equity method” or “Shares of other comprehensive profits and losses of subsidiaries, affiliates and joint ventures using the equity method”.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company’s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

12. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful Life
Buildings	5~55 years
Machinery and equipment	4~10 years
Office equipment	2~20 years
Transportation equipment	3~10 years
Other equipment	2~20 years
Lease improvement	According to lease term or useful economic life whichever is shorter
Mould equipment	3 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

13. Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful Life
Buildings	37 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

14. Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A. the amount of the initial measurement of the lease liability;
B. any lease payments made at or before the commencement date, less any lease incentives received;
C. any initial direct costs incurred by the lessee; and
D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are reflected in profit or loss for the year in which the expenditures are incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least once at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are necognized in profit or loss.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer Software	Golf License
Durability	Limited	Uncertain
Amortization method	Straight-line method during the estimated economic life	Not to amortize
Internally generated or external acquisition	External acquisition	External acquisition

16. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

17. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

<u>Provision for decommissioning, restoration and rehabilitation costs</u>

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

<u>Provision for warranties</u>

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

18. Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is machine tools and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

Accounts receivable are generally on 30 to 360 day terms. Due to the natural of the industry, some customers' accounts receivable was longer than the abovementioned day terms. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to transfers the goods subsequently; accordingly, these amounts are recognized as contract liabilities.

Rendering of services

The Company provides maintenance for high unit price machine equipment. Such services are separately priced or negotiated, and provided based on particular point of time. As the customers receive the benefits at a particular point of time, the Company's performance obligations are satisfied simultaneously, and the related revenue are then recognized when the services completed.

19. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

20. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:
(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

21. Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax..

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

(2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(3) De facto control without a majority of the voting rights in invested companies

The Company does not have majority of the voting rights in certain invested companies. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these invested companies. Please refer to Note 6 for further details.

2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Trade receivables–estimation of impairment loss

The Company estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(4) Inventory

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

1. Cash and cash equivalent

	2023.12.31	2022.12.31
Demand deposits	$492,644	$137,793
Cash on hand	761	1,003
Cash equivalents	260,007	-
Total	$753,412	$138,796

2. Financial assets measured at amortized cost

	2023.12.31	2022.12.31
Time deposits	$76,107	$38,413
Current	$29,589	-
Noncurrent	46,518	$38,413
Total	$76,107	$38,413

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge and Note 12 for details on credit risk.

3. Notes receivables, net and notes receivables – related parties, net

	2023.12.31	2022.12.31
Notes receivable arising from operating activities	$18,436	$17,658
Notes receivables – related parties	272	1,075
Total	$18,708	$18,733

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.16 for more details on loss allowance and Note 12 for details on credit risk.

4. Accounts receivable, net and Accounts receivable – related parties, net

	2023.12.31	2022.12.31
Accounts receivable	$111,220	$232,777
Less: loss allowance	(15,138)	(14,939)
Subtotal	96,082	217,838
Accounts receivable – related parties	36,975	56,012
Total	$133,057	$273,850

The general payment term are 30 to 360 days. Due to the natural of the industry, some customers' payment terms were longer than the abovementioned payment terms. The total carrying amount for the years ended December 31, 2023 and 2022, were NT$148,194 thousand and NT$288,789 thousand, respectively. Please refer to Note 6.16 for more details on loss allowance of accounts receivable for the year ended December 31, 2023 and 2022, and Note 12 for details on credit risk.

Please refer to Note 8 for more details on accounts receivable under pledge.

5. Inventory

(1) Listed as follow:

	2023.12.31	2022.12.31
Raw Materials	$228,228	$270,153
Work in progress	94,886	104,242
Finished goods	91,185	88,365
Semi-finished goods	26,128	33,508
Merchandises	-	1,143
Subtotal	440,427	497,411
Underconstruction (Note)	170,398	51,945
Total	$610,825	$549,356

Note: The Company made a successful bid in November 2022 for a land development joint project with Taiwan Sugar Corporation.

(2) Regconized sales cost for gains or losses:

For the year ended December 31, 2023 and 2022, the costs of sales for inventory were NT$678,736 thousand and NT$948,847 thousand respectively. These figures include recognized inventory depreciation and slow-moving losses, which amounted to NT$7,016 thousand and NT$39,057 thousand respectively.

The inventories were not pledged.

6. Non-current assets held for sale

	2023.12.31	2022.12.31
Property and its accompanied equipment held for sale	-	$78,898

The Company entered into a contract with E-tech Machinery Inc. on December 29, 2022, to sell its property and accompanying equipment located in the Daya District, Taichung City, Taiwan (R.O.C.). This followed a resolution from the Company's board meeting held on December 22, 2022. As a result, NT$67,146 thousand and NT$11,752 thousand were transferred to non-current assets held for sale from Properties, plants and equipment, and investment properties respectively. The property was delivered and the transaction was completed on July 7, 2023. The sale price was NT$297,890 thousand, and the profit or loss from the disposal was recognized as NT$218,856 thousand.

There was no impairment loss as the selling price of the property and its accompanied equipment held for sale was expected to be higher than the face amounts in properties, plants and equipment, and investment properties.

Please refer to Note 8 for further details regarding non-current assets held for sale – land under pledge.

7. Financial assets at fair value through other comprehensive income

(1) Listed as follow:

	2023.12.31	2022.12.31
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks		
Sincere Creative Industries CO., LTD	-	-
TAICHUNG INTERNATIONAL ENTERTAINMENT CORPORATION	-	$189
Qing Jing Xiang Asset Co.,Ltd.	$14,866	12,629
Qing Jing Ning Construction Co., Ltd.	9,672	9,812
Total	$24,538	$22,630

(2) The company recognized unrealized gains or (losses) on financial assets measured at fair value through other comprehensive income in 2023 and 2022 as NT$5,834 thousand and NT($2,579) thousand respectively.

(3) Financial assets measured at fair value through other comprehensive income were not pledged.

(4) The Company's derecognition related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 are as follow:

	Year ended December 31,	
	2023	2022
Fair value on the day of derecognition	-	-
The cumulative loss on disposal reclassified from other equity to retained earnings	$3,737	-

8. Investments accounted for using equity method

	2023.12.31		2022.12.31	
Investee Companies	Amount	Ownership	Amount	Ownership
Subsidiaries				
Chevalier Machinery, Inc.	$167,178	100.00%	$229,948	100.00%
Lucky Investment Services Ltd.	129,888	100.00%	168,387	100.00%
Lin Yu International Industrial Co., Ltd.	129,749	100.00%	49,395	100.00%
Associates				
Focus CNC Co., Ltd.	138,848	39.18%	137,491	39.18%
Hwang Kang Machinery Co., Ltd.	19,664	40.18%	25,225	40.18%
Ching Young International Industrial CO., LTD	17,149	7.50%	-	-
Total	$602,476		$610,446	

Judgement on Significant influence:

Although the Company holds 39.18% of ownership and is the largest shareholder of Focus CNC Co., Ltd., the Company does not own the major voting rights as the other two shareholders hold 32.86% and 7.06% of ownership respectively and are able to align and prevent the Company from ruling the relevant operation. Therefore, the Company does not control but owns significant influence over the abovementioned associate.

Although the Company holds 40.18% of ownership and is the largest shareholder of Hwang Kang Machinery Co., Ltd., the Company does not own the major voting rights as the other four shareholders hold 22.50%, 9.26%, 8.19% and 6.75% of ownership respectively and are able to align and prevent the Company from ruling the relevant operation. Therefore, the Company does not control but owns significant influence over the abovementioned associate.

(1) Subsidiary

In 2022, the company was approved by the chairman of the board of directors to invest NT$100,000 in cash to establish Lin Yu International Industrial Co., Ltd., which was divided into two investments. An additional capital increase of NT$50,000 will be added in September 2023, and the paid-in capital as of December 31, 2023 will be NT$150,000.

The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

(2) Investments of associates

The abovementioned associates did not make public offering in the year ended December 31, 2023 and 2022.

The associates had no contingent liabilities or capital commitments and did not provide any guarantee.

The Company’s investment in Focus CNC Co. Ltd. and Hwang Kang Machinery Co., Ltd. are immaterial. The aggregate amount of the Company’s shares of the abovementioned associates are as follows:

	2023.01.01~2023.12.31		
Investee	Investment Income	Other Comprehensive Income	Current Period Comprehensive Income
Focus CNC Co., Ltd.	$7,564	($2,038)	$5,526
Hwang Kang Machinery Co., Ltd.	(4,754)	-	(4,754)
Ching Young International Industrial CO., LTD	2,149	-	2,149
Total	$4,959	($2,038)	$2,921

Investee	2022.01.01~2022.12.31 Investment Income	Other Comprehensive Income	Current Period Comprehensive Income
Focus CNC Co., Ltd.	$16,276	$1,716	$17,992
Hwang Kang Machinery Co., Ltd.	815	-	815
Total	$17,091	$1,716	$18,807

(3) Other investments

The dividends received from the subsidiaries for year ended December 31, 2023 and 2022 were NT$4,976 thousand and NT$2,501 respectively.

(4) The gains or losses of the investments accounted for using equity method of investees were audited by component auditors and the details are as follow:

Investee	2023 Investment Gains and Losses	Translation Adjustment	Other Comprehensive Income	Unrealized Gross Margin
Chevalier Machinery, Inc.	$33,161	$4,012	-	($3,298)
Focus CNC Co., Ltd.	7,564	-	($2,038)	-
Hwang Kang Machinery Co. Ltd.	(4,754)	-	-	-
Lin Yu International Industrial Co., Ltd.	(19,648)	2	-	-
Lucky Investment Services Ltd.	(33,509)	(4,645)	-	(345)
Ching Young International Industrial CO., LTD	2,149	-	-	-
Total	($15,037)	($631)	($2,038)	($3,643)

Investee	2022 Investment Gains and Losses	Translation Adjustment	Other Comprehensive Income	Unrealized Gross Margin
Chevalier Machinery, Inc.	$28,197	$36,341	-	($15,586)
Focus CNC Co., Ltd.	16,276		$1,716	-
Hwang Kang Machinery Co. Ltd.	815	-	-	-
Lin Yu International Industrial Co., Ltd.	(605)	-	-	-
Lucky Investment Services Ltd.	(64,511)	4,888	-	1,490
Total	($19,828)	$41,229	$1,716	($14,096)

The financial statements of Chevalier Machinery, Inc. and Hwang Kang Machinery Co., Ltd. for the year ended December 31, 2023 and 2022 were audited by component auditors. The amounts of investment accounted for using equity method were NT$186,842 thousand and NT$255,173 thousand respectively. The shares of the subsidiaries, associates and joint ventures accounted for using equity method were NT$28,407 thousand and NT$29,012 thousand respectively while the shares of the other comprehensive income of the subsidiaries, associates and joint ventures accounted for using equity methods were NT$4,012 thousand and NT$36,341 thousand.

(5) Please refer to Notes 13.2 and 13.3 for further details regarding the Company's investment in Mainland China.

9. Property, plant and equipment

	2023.12.31	2022.12.31
Owner occupied property, plant and equipment	$180,758	$190,914

(1) Owner occupied property, plant and equipment

2023.01.01-2023.12.31

	Land	Buildings	Machinery & equipment	Office equipment	Transportation equipment	Other equipment	Lease improvement	Mould equipment	Total
Cost :									
2023.01.01	$105,325	$275,240	$175,084	$36,737	$41,776	$93,830	$462	$3,745	$732,199
Additions	-	-	10,492	1,118	-	152	-	2,759	14,521
Disposals	-	-	(71,113)	(608)	-	(6,482)	-	-	(78,203)
Transfer	-	-	(27,225)	-	-	-	-	-	(27,225)
2023.12.31	$105,325	$275,240	$87,238	$37,247	$41,776	$87,500	$462	$6,504	$641,292
Depreciation and Impairment：									
2023.01.01	-	$225,818	$154,172	$33,918	$40,031	$85,180	$462	$1,704	$541,285
Depreciation	-	5,840	4,372	1,218	619	2,711	-	1,414	16,174
Disposals	-	-	(70,725)	(608)	-	(6,482)	-	-	(77,815)
Transfer	-	-	(19,110)	-	-	-	-	-	(19,110)
2023.12.31	-	$231,658	$68,709	$34,528	$40,650	$81,409	$462	$3,118	$460,534

2022.01.01-2022.12.31

	Land	Buildings	Machinery & equipment	Office equipment	Transportation equipment	Other equipment	Lease improvement	Mould equipment	Total
Cost :									
2022.01.01	$151,428	$352,582	$209,007	$36,283	$45,667	$99,486	$462	$2,465	$897,380
Additions	-	211	-	663	-	429	-	1,280	2,583
Disposals	-	-	(2,698)	(209)	-	(123)	-	-	(3,030)
Transfer	(46,103)	(77,553)	(31,225)	-	(3,891)	(5,962)	-	-	(164,734)
2022.12.31	$105,325	$275,240	$175,084	$36,737	$41,776	$93,830	$462	$3,745	$732,199

Depreciation and impairment									
2022.01.01	-	$274,951	$158,458	$30,590	$43,289	$86,967	$450	$618	$595,323
Depreciation	-	7,748	7,117	3,537	633	3,927	12	1,086	24,060
Disposals	-	-	(2,698)	(209)	-	(123)	-	-	(3,030)
Transfer	-	(56,881)	(8,705)	-	(3,891)	(5,591)	-	-	(75,068)
2022.12.31	-	$225,818	$154,172	$33,918	$40,031	$85,180	$462	$1,704	$541,285
Net carrying amount as of：									
2023.12.31	$105,325	$43,582	$18,529	$2,719	$1,126	$6,091	-	$3,386	$180,758
2022.12.31	$105,325	$49,422	$20,912	$2,819	$1,745	$8,650	-	$2,041	$190,914

(2) Significant components of the building include the main building structure and air-conditions, which are depreciated over useful lives of 50 and 5 years respectively.

(3) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(4) There was no interest capitalized due to purchasing of property, plant and equipment in years 2023 and 2022.

10. Investment properties

	Land	Buildings	Total
Cost：			
2023.01.01	$5,213	$9,390	$14,603
Reclassification	-	-	-
2023.12.31	$5,213	$9,390	$14,603
2022.01.01	$13,240	$ 23,095	$36,335
Reclassification	(8,027)	(13,705)	(21,732)
2022.12.31	$5,213	$9,390	$14,603
Depreciation and impairment:			
2023.01.01	-	$4,141	$4,141
Depreciation	-	388	388
Reclassification	-	-	-
2023.12.31	-	$4,529	$4,529
2022.01.01	-	$13,420	$13,420
Depreciation	-	701	701
Reclassification	-	(9,980)	(9,980)
2022.12.31	-	$4,141	$4,141
Net carrying amount:			
2023.12.31	$5,213	$4,861	$10,074
2022.12.31	$5,213	$5,249	$10,462

	2023	2022
Income from investment properties rental	-	$1,927

Please refer to Note 8 for more details on investment properties under pledge.

Investment property held by the Company is not measured at fair value, but only discloses information on its fair value. Its fair value hierarchy is Level 3. The fair value evaluated by an independent external appraisal expert appointed on December 31, 2022 was NT$24,743 thousand. The aforementioned determination of fair value was supported by market evidence, and the evaluation methods adopted were comparative method, The direct capitalization method of the income method, in which the long-term operating net profit mainly used in the capitalization method is NT$350 thousand, and the capitalization rate is 2.90%.

The fair values of the investment real estate held by the Company were both NT$24,743 thousand on December 31, 2023 and December 31, 2022. The aforementioned fair values were respectively Appoint an independent external appraisal expert to evaluate and refer to the Ministry of Interior's Real Estate Transaction Actual Price Inquiry Service Network for the fair value of recent transaction prices for similar locations and types.

11. Short-term loans

	2023.12.31	2022.12.31
Secured bank loans	$173,750	$240,000
Unsecured bank loans	-	113,412
Total	$173,750	$353,412
Interest Rate (%)	3.01%	2.24%~2.80%

The Company's unused short-term lines of credits amounts to NT$234,885 thousand and NT$356,588 thousand as of December 31, 2023 and 2022, respectively.

The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for more details.

12. Long-term loans

(1) As of December 31, 2023:

Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge loan	$550,000	2.75%	From May 17, 2023 to May 17, 2028. The loan shall be repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 15 quarter installments. Interest is calculated once a month.

Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	7,523	7.34%	From May 24, 2022 to January 16, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,001	7.34%	From May 24, 2022 to January 31, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	5,281	7.19%	From June 7, 2022 to February 27, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,005	7.19%	From September 5, 2022 to August 6, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,277	7.19%	From September 19, 2022 to August 15, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	9,211	7.25%	From October 17, 2022 to July 22, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,145	7.25%	From October 18, 2022 to September 23, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,216	7.51%	From November 6, 2023 to July 31, 2025. The loan is due to be settled of capital and interest.
Total		$609,659		
Less: Current portion of long-term loans		(79,944)		
Less: Admin fee		(2,874)		
Total		$526,841		

(2) As of December 31, 2022

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge loan	$337,500	2.67%	From February 17, 2020 to February 17, 2025. The loan shall be repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 13 quarter installments. Interest is calculated once a month.
Bank of Panhsin – Taichung Branch	Pledge loan	60,000	2.23%	From February 22, 2023 to February 22, 2023. Interest calculated once every three months. The loan is due to be settled.

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	7,524	6.79%	From May 24, 2023 to January 16, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,002	6.79%	From May 24, 2023 to January 31, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	5,282	5.81%	From June 7, 2023 to February 27, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,008	4.76%	From September 5, 2023 to August 6, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,278	5.29%	From September 19, 2023 to August 15, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	9,213	5.89%	From October 17, 2023 to July 22, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,146	5.90%	From October 18, 2023 to September 24, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	6.59%	From February 22, 2022 to January 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,075	5.72%	From March 10, 2022 to February 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,422	6.59%	From April 15, 2022 to March 6, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,493	5.13%	From May 10, 2022 to March 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	6,956	5.72%	From June 15, 2022 to May 8, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,992	6.59%	From July 13, 2022 to June 12, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,457	6.59%	From July 13, 2022 to June 1, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	3,040	6.59%	From July 26, 2022 to June 27, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,155	5.81%	From September 6, 2022 to July 28, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	11,332	6.62%	From November 8, 2022 to September 5, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	17,167	6.62%	From December 3, 2022 to October 16, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,822	6.62%	From December 10, 2022 to October 26, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,917	6.62%	From December 15, 2022 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,689	1.55%	From December 22, 2022 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	1.42%	From January 7, 2022 to November 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,960	1.81%	From March 7, 2022 to December 7, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,370	5.71%	From March 23, 2022 to December 20, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Total		551,680		
Less: Current portion of long-term loans		(236,727)		
Less: Admin fee		(1,330)		
Total		$313,623		

Note 1: The Company obtained a bank loan with seven financial institutes including Taiwan Cooperative Bank, the bank loan agreement stipulated that the ratio of current assets to current liabilities shall not be lower than 100%, the ratio of liabilities to net tangible assets shall not be higher than 180%, the net value of tangible assets shall not be lower than NT$800,000,000, and the interest coverage shall be above 300%. Administration fee is 0.35% of the total line of credit, the fee shall be paid within 5 working days to Taiwan Cooperative Bank after the approval of the line of credit.

(3) The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for more details.

(4) The Company did not fulfill the abovementioned stipulations in year 2023 and 2022 thus is required to pay additional 0.25% of the unpaid balance to the credit banks monthly until it could fulfill the stipulations. In return, the credit banks shall not claim the Company violated the agreed stipulations.

13. Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 amounted to NT$5,303 thousand and NT$5,413 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units.

Under the Labor Standards Act, the Company contribute an amount equivalent to 6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1. Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) Investment properties

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the entire property is classified as an investment property only if the owner-occupied portion is immaterial to the property. Please refer to Note 6 for details.

(2) Operating lease commitment - Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$4,836 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The average duration of the defined benefits plan obligation as at December 31, 2023 and 2022 are 8 years and 6 years.

Pension costs recognized in profit or loss is as follows:

	2023	2022
Current period service costs	$545	$538
Net interest expense (income)	52	107
Total	$597	$645

Reconciliation in the defined benefit obligation and fair value of plan assets are as follows:

	2023.12.31	2022.12.31
Defined benefit obligation at January 1,	$59,311	$61,286
Plan assets at fair value	(59,100)	(56,997)
Other non-current liabilities – net defined benefit liability	$211	$4,289

Reconciliation of liability of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2022	65,927	(43,013)	22,914
Current period service costs	538	-	538
Net interest expense (income)	424	(317)	107
Subtotal	66,889	(43,330)	23,559
Remeasurement on net defined benefit liability/assets:			

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Actuarial gains and losses arising from changes in demographic assumptions	20,429	-	20,429
Actuarial gains and losses arising from changes in financial assumptions	40,857	-	40,857
Experience adjustments	(61,571)	-	(61,571)
Re-measurement on defined benefit assets	-	(3,180)	(3,180)
Subtotal	(285)	(3,180)	(3,465)
Benefits paid	(5,318)	(2,379)	(7,697)
Contributions by employer	-	(8,108)	(8,108)
As of December 31, 2022	$61,286	($56,997)	$4,289
Current period service costs	545	-	545
Net interest expense (income)	735	(683)	52
Subtotal	62,566	(57,680)	4,886
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	474	-	474
Experience adjustments	(86)	-	(86)
Re-measurement on defined benefit assets	-	(227)	(227)
Subtotal	388	(227)	161
Benefits paid	(3,643)	3,643	-
Contributions by employer	-	(4,836)	(4,836)
As of December 31, 2023	$59,311	($59,100)	$211

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2023.12.31	2022.12.31
Discount rate	1.20%	1.20%
Expected rate of salary increases	1.50%	1.20%

Sensitivity analysis:

	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased 0.5%	$281	-	-	$1,227
Discount rate decreased 0.5%	-	$277	$2,316	-
Expected salary increased 0.5%	44	-	2,295	-
Expected salary decreased 0.5%	-	21	-	1,232

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

14. Equity

(1) Common stock

A. On November 17, 2023, the company conducted a cash capital increase through private equity and issued 30,000 thousand new shares, with a nominal value of NT$10 per share, issued at a premium of NT$15.56 per share, and the paid-in amount was NT$466,800. November 17 is the base date for capital increase, and the rights and obligations of the new private placement shares will be the same as the issued ordinary shares upon completion of the change registration on December 12, 2023. However, according to the provisions of the Securities and Exchange Act, privately placed ordinary shares cannot be freely transferred within three years after issuance.

B. As of December 31, 2023 and December 31, 2022, the company's rated share capital is NT$1,350,000 thousand, with a nominal value of NT$10 per share, both of which are 135,000 thousand shares. The issued ordinary shares are respectively 106,880 thousand shares (including 30,000 thousand shares of private equity) and 76,880 thousand shares. All shares issued have been paid and each share is entitled to one vote and the right to receive dividends.

(2) Capital surplus

	2023.12.31	2022.12.31
Additional paid-in capital	$172,800	$6,000
Others	5,460	5,460
Total	$178,260	$11,460

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

According to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years’ operation losses;
(c) Set aside 10% of the remaining amount as legal reserve.
(d) Set aside or reverse special reserve in accordance with law and regulations; and
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders’ meeting

The distribution of dividends to shareholders of the company can be paid in cash or shares. The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition, capital budgets as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The dividends in cash shouldn't less than 10% of the shareholder dividends. The Board of Directors shall make the distribution proposal annually and present it at the shareholders’ meeting.

According to Taiwan’s Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total paid-in capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

The FSC on 31 March 2022 issued Order No. Financial-Supervisory-Securities-Corporate 1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion and transfer to retained earnings.

As of December 31, 2023 and 2022, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$49,531 thousand. The Company did not incur any special reserve to retained earnings during the year ended December 31, 2023 and 2022.

the appropriations of earnings for the years 2022 and 2021 were approved through the stockholders' meeting held on June 22, 2023 and June 22, 2022, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2022	2021	2022	2021
Legal reserve	-	$1,420	-	-
Special reserve	-	4,385	-	-

Please refer to Note 6.18 for details on employees' compensation and remuneration to directors and supervisors.

15. Operating revenues

	2023	2022
Revenue from contracts with customers		
Sale of goods	$843,878	$1,172,864
Labor services	12,428	15,270
Other revenue	-	3,401
Total	$856,306	$1,191,535

Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

(1) Disaggregation of revenue

	2023	2022
Sale of goods	$843,878	$1,172,864
Labor services	12,428	15,270
Other income	-	3,401
Total	$856,306	$1,191,535

The timing for revenue recognition of the Company and the Customers: at a same point in time

(2) Contract balances

Contract liabilities - current

	2023.12.31	2022.12.31	2022.01.01
Sale of goods	$64,325	$40,535	$71,757

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
The opening balance transferred to revenue	($33,318)	($71,627)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	57,108	40,405
Total	$23,790	($31,222)

16. Expected credit losses (gain)

	2023	2022
Operating expenses – expected credit losses (gains)		
Account receivables	$199	$7,912

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including notes receivable, notes receivable – related parties, accounts receivable and accounts receivable – related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2023 and 2022 are as follows:

As at December 31, 2023

	Not yet due	Overdue				
	(Note)	1-90 days	91-180 days	181-365 days	366 days or above	Total
Gross carrying amount	$137,379	$8,955	$555	$5,186	$14,828	$166,903
Loss ratio	-%	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(45)	(6)	(259)	(14,828)	(15,138)
Carrying amount of trade receivables	$137,379	$8,910	$549	$4,927	-	$151,765

As at December 31, 2022

	Not yet due	Overdue				
	(Note)	1-90 days	91-180 days	181-365 days	366 days or above	Total
Gross carrying amount	$271,929	$18,565	$2,065	$145	$14,818	$307,522
Loss ratio	-%	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(93)	(21)	(7)	(14,818)	(14,939)
Carrying amount of trade receivables	$271,929	$18,472	$2,044	$138	-	$292,583

Note: All the Company's notes receivables were not past due

The movement in the provision for impairment of account receivable (including notes receivable, notes receivable – related parties, accounts receivable and account receivable – related parties) for the years ended December 31, 2023 and 2022 are as follows:

	Notes receivable	Accounts receivable
2023.01.01	-	$14,939
Addition for the current period	-	199
Write off	-	-
2023.12.31	-	$15,138
2022.01.01	-	$10,311
Addition for the current period	-	7,912
Write off		(3,284)
2022.12.31	-	$14,939

17. Leases

(1) The Company as a lessee

The Company leases properties, including lands, buildings and constructions. The lease terms range from 3 to 43 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Carrying amount

	2023.12.31	2022.12.31
Buildings and constructions	$20,319	$9,274
Transportation equipment	750	1,874
Total	$21,069	$11,148

Some of the leases were terminated, the right-of-use assets and lease liabilities were reduced NT$2,818 thousand and NT$2,921 thousand respectively, and generated NT$103 thousand for lease modification gain.

Right-of-use assets increased NT$18,044 thousand and NT$0 for the years ended in December 31, 2023 and 2022 respectively.

(b) Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities		
Current	$6,414	$1,661
Noncurrent	12,642	7,848
Total	$19,056	$9,509

Please refer to Note 6.19(4) for the interest on lease liabilities recognized during the year ended December 31, 2023 and 2022 refer to Note12.5 Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	2023	2022
Buildings and constructions	$6,998	$5,634
Transportation equipment	1,124	1,124
Total	$8,122	$6,758

C. Cash outflow relating to leasing activities

Cash outflow for leasing were NT$8,973 thousand and NT$7,275 thousand for the year ended on December 31, 2023 and 2022 respectively.

18. Summary of employee benefits, depreciation and amortization expenses by function is as follows:

Function / Nature	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$47,399	$80,711	$128,110	$49,217	$79,190	$128,407
Labor and health insurance	5,229	7,812	13,041	5,085	7,163	12,248
Pension	2,040	3,860	5,900	2,007	4,051	6,058
Other employee benefits	-	2,562	2,562	-	2,525	2,525
Depreciation	563	2,687	3,250	985	2,599	3,584
Amortization	7,723	16,961	24,684	10,583	20,936	31,519
Employee benefits expense	-	1,865	1,865	-	2,078	2,078

There were 192 and 193 employees in the years ended December 31, 2023 and 2022 respectively and 5 non-executive directors.

Employee benefit expenses in the years ended December 31, 2023and 2022 were NT$804 thousand and NT$799 thousand respectively.

Salaries for the years ended December 31, 2023 and 2022 were NT$685 thousand and NT$683 thousand respectively.

The average salary increment was 0.29%.

Salary and compensation policies for directors, managers and ordinary employees:

The salary and compensation policies for directors and management personnel are regulated by the Company’s articles of incorporation as well as supervised by the Salary and Compensation Committee. The salaries and compensations are decided according to staff performance appraisals, the Company’s operation performance, future risk, development strategies, the industry’s development trends and employee’s individual contribution.

Employee’s compensation includes salary, bonus according to their personal performance and compensation according to the Company’s performance and the regulation stated in the articles of incorporation. The annual employee appraisal also provides basis for promotion, employee training and bonus.

According to the Company's articles of incorporation, not less than 2% of profit of the current year is distributable as bonus to employees and not higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The company's estimated employee remuneration and director's remuneration in 2023 are NT$3,237 thousand and NT$3,237 thousand respectively, which are listed under salary expenses.

The Company did not estimate the amounts of the bonus to employees and the remuneration to directors and supervisors for the year ended December 31, 2022 due to loss in operation.

19. Non-operating income and expenses

(1) Interest income

	2023	2022
Financial assets measured at amortized cost	$2,814	$745

(2) Other income

	2023	2022
Rents	$2,690	$3,973
Dividend	10	10
Other income - other	10,390	2,270
Total	$13,090	$6,253

(3) Other gains and losses

	2023	2022
Foreign exchange gains (losses), net	$874	$12,554
Gain (loss) on disposal of property, plant and equipment	221,267	194
Gains on lease modification	-	103
Losses on intangible asset impairments	-	(785)
Miscellaneous	(45)	(4)
Total	$222,096	$12,062

(4) Finance costs

	2023	2022
Interest on borrowings from bank	$30,889	$21,663
Interest on lease liabilities	477	340
Total	$31,366	$22,003

20. Componenets of other comprehensive income

For the year ended December 31, 2023

	Arising during the period	Other comprehensive income	Income tax expense	Net after tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	($161)	($161)	$32	($129)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	5,834	5,834	-	5,834
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	(631)	(631)	(802)	(1,433)
Share of other comprehensive income (loss) of associates and joint ventures	(2,038)	(2,038)	-	(2,038)
Total	$3,004	$3,004	($770)	$2,234

For the year ended December 31, 2022

	Arising during the period	Other comprehensive income	Income tax expense	Net after tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	$3,465	$3,465	($693)	$2,772
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(2,579)	(2,579)	-	(2,579)
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	41,229	41,229	(10,301)	30,928
Share of other comprehensive income (loss) of associates and joint ventures	1,716	1,716	-	1,716
Total	$43,831	$43,831	($10,994)	$32,837

21. Income tax

The major components for income tax expense for the years ended December 31, 2023 and 2022 are as follows

A. Income tax expense (income) recognized in profit and loss

	2023	2022
Current income tax expense:		
Current income tax charge	-	$11,379
Land value increment tax	$18,617	-
Adjustments in respect of current income tax of prior periods	21,787	-
Deferred income tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,288	9,412
Total income tax expense	$43,692	$20,791

B. Income tax relating to components of other comprehensive income

	2023	2022
Deferred income tax expense (benefit):		
Exchange differences resulting from translating the financial statements of foreign operations	($802)	$10,301
Actuarial gains or losses on defined benefit plans	32	693
Income tax relating to components of other comprehensive income	($770)	$10,994

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2023	2022
Accounting profit before tax from continuing operations	$159,344	($2,204)
Tax at the domestic rates applicable to profits in the country concerned	$31,869	-
Tax effect of deferred tax assets/liabilities	18,695	$19,431
Tax effect of expenses not deductible for tax purposes	-	212
Tax on undistributed earnings	-	420
Tax effect of tax allowance	(47,276)	(2)
Others	-	730
Land Value Increment Tax	18,617	-
Adjustments to current income tax from previous years	21,787	-
Total income tax expense recognized in profit or loss	$43,692	$20,791

D. Deferred tax assets (liabilities) relate to the following:

(1) For the year ended December 31, 2023

Item	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized exchange loss (gain)	($534)	$333	-	($201)
Unrealized loss on financial asset impairment	240	(240)	-	-
Expected loss	5,770	333	-	6,103
Expected loss on inventory valuation	24,547	1,403	-	25,950
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	1,539	(678)	-	861
Unused tax losses	21,249	-	-	21,249
Gain of investment for using equity method	(46,263)	18,844	-	(27,419)
Defined benefit liability - noncurrent	(2,578)	(848)	-	(3,426)
Exchange differences resulting from translating the financial statements of foreign operations	(1,769)	-	($802)	(2,571)
Changes on actuarial loss or gain	11,399	-	32	11,431
Land value increment tax	(15,335)	6,149	-	(9,186)
Deferred income tax expenses		$25,296	($770)	
Net deferred tax assets	($1,549)			$22,977
Reflected in balance sheet as follows:				
Deferred tax assets	$64,930			$65,780
Deferred tax liabilities	($66,479)			($42,803)

(2) For the year ended December 31, 2022

Item	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences:				
Unrealized exchange loss (gain)	$1,269	($1,803)	-	($534)
Unrealized loss on financial asset impairment	240	-	-	240
Expected loss	4,995	775	-	5,770
Expected loss on inventory valuation	16,736	7,811	-	24,547
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	1,221	318	-	1,539
Unused tax losses	21,249	-	-	21,249
Gain of investment for using equity method	(31,074)	(15,189)	-	(46,263)
Defined benefit liability - noncurrent	(1,254)	(1,324)	-	(2,578)
Exchange differences resulting from translating the financial statements of foreign operations	8,532	-	($10,301)	(1,769)
Changes on actuarial loss or gain	12,092	-	(693)	11,399
Land value increment tax	(15,335)	-	-	(15,335)
Deferred income tax expenses		($9,412)	($10,994)	
Net deferred income tax assets	$18,857			($1,549)
Reflected in balance sheet as follows:				
Deferred income tax assets	$58,090			$64,930
Deferred income tax liabilities	($39,233)			($66,479)

(3) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets have not been recognized amounting to NT$49,101 thousand and NT$41,475 thousand respectively.

E. The assessment of income tax returns

As of December 31, 2023, the income tax return has been assessed and approved up to 2021.

F. Unused tax losses are as follows:

		Unused tax losses as of		
Year	Loss	2023.12.31	2022.12.31	Expiration year
2015	32,752	10,093	10,115	2025
2016	57,058	56,760	57,058	2026
2017	20,249	19,951	20,249	2027
2019	7,418	7,418	7,418	2029
2020	56,946	56,946	56,946	2030
		$151,168	$151,786	

22. Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

	2023	2022
(1) Basic earnings per share		
Net income (loss)	$115,652	($22,995)
Weighted average number of common stocks outstanding (in thousand shares)	80,589	76,880
Basic earnings per share (in NT$)	$1.44	($0.30)

(2) Diluted earnings per share

Net Income (loss)	$115,652	($22,995)
Net income (loss) after dilution	$115,652	($22,995)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	80,589	76,880
Effect of dilution:		
Employee bonus stock (in thousand shares)	170	-
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	80,759	76,880
Diluted earnings per share (in NT$)	$1.43	($0.30)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Related parties	Relationship
Chevalier Machinery, Inc.	Subsidiary
Lucky Investment Services Ltd.	Subsidiary
Chevalier Machinery Co., Ltd. (Suzhou)	Subsidiary
Focus CNC Co., Ltd.	Associate
Hwang Kang Machinery Co., Ltd.	Associate
Fulson Industrial Co., Ltd.	Substantive related party
Lin, Tsung-Lin and other 15 persons	Key management personnel (Note)

Note: Mr. Chang, Pao-Ming resigned as Chairman and General Manager on October 21, 2022. The Board of Directors appointed Mr. Lin Tsung-Lin to succeed as Chairman and Mr. Tung Shang-Yu to take the positions of Vice-Chairman and General Manager.

Significant transactions with related parties

1. Sale

	2023	2022
Chevalier Machinery, Inc.	$270,271	$264,286
Chevalier Machinery Co., Ltd. (Suzhou)	23,105	34,535
Others	3,998	7,239
Total	$297,374	$306,060

The sales price to the related parties was determined through mutual agreement in reference to market conditions. The collection periods to related parties were month-end 90~180 days. The outstanding payment at the end of the year were not pledged, interest-free and subject to pay in cash.

2. Purchase

	2023	2022
Fulson Industrial Co., Ltd.	$75,460	$100,111
Hwang Kang Machinery Co., Ltd	2,086	5,949
Others	335	386
Total	$77,881	$106,446

The purchase prices from the related parties were determined through mutual agreement in reference to market conditions. The payment periods to related parties were the same with other company, and were month end 60 days in cheque.

3. Lease – related parties

Rental income

	2023	2022
Fulson Industrial Co., Ltd.	$221	$885
Focus CNC Co., Ltd.	72	144
Total	$293	$1,029

The Company leases machines, lands, buildings and constructions to associates. The rental price was determined through mutual agreements in reference to market conditions. Rents charged monthly and the related incomes are listed in non-operating income and expenses – rent.

4. Notes receivable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	$272	$979
Focus CNC Co., Ltd.	-	96
Total	$272	$1,075

5. Accounts receivable – related parties

	2023.12.31	2022.12.31
Chevalier Machinery, Inc.	$29,119	$31,483
Chevalier Machinery Co., Ltd. (Suzhou)	8,326	24,905
Fulson Industrial Co., Ltd.	78	145
Subtotal	37,523	56,533
(Less) Add: Allowance to Exchange (Losses)	(548)	(521)
Total	$36,975	$56,012

6. Other accounts receivable

	2023.12.31	2022.12.31
Lucky Investment Services Ltd.	$1,299	$691
Fulson Industrial Co., Ltd.	215	53
Total	$1,514	$744

7. Payment on behalf of others

	2023.12.31	2022.12.31
Lucky Investment Services Ltd.	$9,929	$3,529
Fulson Industrial Co., Ltd.	-	200
Total	$9,929	$3,729

8. Notes payable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	$20	$18

9. Accounts payable – related parties

	2023.12.31	2022.12.31
Fulson Industrial Co., Ltd.	$19,858	$8,712
Hwang Kang Machinery Co., Ltd.	1,062	1,462
Chevalier Machinery Co., Ltd. (Suzhou)	-	187
Total	$20,920	$10,361

10. Key management personnel bonus and compensations

	2023.12.31	2022.12.31
Short-term employee benefits	$9,568	$10,809
Post-employment	540	1,183
Total	$10,108	$11,992

8. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral are as follows:

Item	Carrying Amount 2023.12.31	Carrying Amount 2022.12.31	Content of pledge
Accounts receivable	$66,405	$157,423	Long and short term loan
Properties, plants and equipment -lands	105,325	105,325	Long and short term loan
Noncurrent assets held for sale - lands	-	54,130	Long and short term loan
Financial assets at amortized cost - noncurrent	46,518	38,413	Deposit
Properties, plants and equipment – buildings and constructions	40,316	37,638	Long-term loan
Noncurrent assets held for sale – buildings and constructions	-	24,397	Long and short term loan
Investment properties	10,074	10,462	Long-term loan
Financial assets at amortized cost - current	29,589	-	Deposit
Total	$298,227	$427,788	

9. COMMITMENTS AND CONTINGENCIES

1. As of December 31, 2023, there was a deposit of NT$1,000 thousand for loan has yet to recollect.

2. Please refer to Note 13.1(2) for more details regarding the Company's endorsements and guarantees as of December 31, 2023.

3. As of December 31, 2023, King's Town Bank has issued a letter of credit for NT$103,890 thousand as guarantee to Taiwan Sugar Corp. for the project of joint development of land.

10. LOSSES DUE TO MAJOR DISASTERS

None

11. SIGNIFICANT SUBSEQUENT EVENTS

None

12. OTHERS

1. Categories of financial instruments

Financial assets	2023.12.31	2022.12.31
Financial assets at fair value through other comprehensive income	$24,538	$22,630
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	752,671	137,793
Financial assets measured at amortized cost - current	29,589	-
Notes receivable (including related parties)	18,708	18,733
Accounts receivable (including related parties)	133,057	273,850
Other receivables	13,875	11,941
Financial assets measured at amortized cost - noncurrent	46,518	38,413

Financial liabilities	2023.12.31	2022.12.31
Financial liabilities measured at amortized cost:		
Short-term loan	$173,751	$353,412
Other payables	44,613	44,311
Notes and accounts payable (including related parties)	178,439	178,289
Long-term loan (including due within a year)	606,785	550,350
Lease liabilities (including current and noncurrent)	19,056	9,509

2. Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before the Company enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analyses is as follows:

(1) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT$806 thousand and NT$550 thousand respectively.

(2) When NTD strengthens/weakens against EUR by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT$113 thousand and NT$142 thousand respectively.

(3) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT$42 thousand and NT$293 thousand respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to The Company's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to loans at variable interest rate as at the end of the reporting period. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by NT$781 thousand and NT$904 thousand respectively.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023 and 2022, accounts receivable from top ten customers represent 63% and 96% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of The Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2023.12.31					
Short-term loan	$173,965	-	-	-	$173,965
Notes and accounts payables	178,439	-	-	-	178,439
Other payables	44,613	-	-	-	44,613
Lease liabilities	8,899	$10,799	$2,462	-	22,160
Long-term loan (including due within a year)	82,176	266,738	306,936	-	655,850
2022.12.31					
Short-term loan	$353,684	-	-	-	$353,684
Notes and accounts payables	178,289	-	-	-	178,289
Other payables	44,311	-	-	-	44,311
Lease liabilities	1,848	$4,073	$3,100	$1,012	10,033
Long-term loan (including due within a year)	263,512	422,557	-	-	686,069

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term loans	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2023.01.01	$353,412	$550,350	$9,509	$913,271
Cash Flows	(179,662)	56,435	(8,973)	(132,200)
Non-cash changes	-	-	18,520	18,520
2023.12.31	$173,750	$606,785	$19,056	$799,591

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Short-term note payables	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2022.01.01	$212,786	$29,955	$592,028	$19,025	$853,794
Cash Flows	140,626	(29,955)	(41,678)	(6,935)	62,058
Non-cash changes	-	-	-	(2,581)	(2,581)
2022.12.31	$353,412	-	$550,350	$9,509	$913,271

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by The Company to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

8. Derivative financial instruments

As of December 31, 2023 and 2022, there was no derivative financial instruments for the Company.

9. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on non-recurring basis as well as assets and liabilities that are measured at fair value on a recurring basis.

(3) Fair value measurement hierarchy of assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	-	-	$24,743	$24,743
Financial assets at fair value through other comprehensive income – noncurrent	-	-	24,538	24,538

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	-	-	$24,743	$24,743
Financial assets at fair value through other comprehensive income – noncurrent	-	-	22,630	22,630

10. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: thousand

	2023.12.31			2022.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items						
USD	$4,568	30.705	$140,260	$6,813	30.710	$209,227
Euro	333	33.980	11,315	434	32.720	14,200
RMB	981	4.317	4,245	6,698	4.408	29,525

	2023.12.31			2022.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial liabilities						
Monetary items:						
USD	$1,943	30.705	$59,660	$5,021	30.710	$154,195

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were varieties of foreign currency transactions of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Company recognized exchange gain (loss) amounted to NT$874 thousand and NT$12,554 thousand for the years ended December 31, 2023 and 2022 respectively.

11. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

12. Financial asset transferal information

The Company entered into assignment agreements with recourse with financial institutions regarding some of its accounts receivable. Although the Company transfers the contract rights of the cash flow from such accounts receivable, the Company still has to bear the credit risk in accordance with the agreement in the event the accounts receivable is not recoverable. The transaction information is as follows:

2023.12.31

Lender	Amount assigned	Prepaid amount (note)
Export Import Bank of the Republic of China	$66,405	$59,660

2022.12.31

Lender	Amount assigned	Prepaid amount (note)
Export Import Bank of the Republic of China	$157,423	$154,180

Note: Reported on short-term loans, due within a year or an operating cycle, and long-term loan.

13. OTHER DISCLOSURES

1. Information about significant transitions

(1) Financing provided to others: None

(2) Endorsement/Guarantee provided to others

Ref No.	Endorsement /Guarantee Provider (Name)	Guaranteed Party		Limits on Endorsement /Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement /Guarantee to Net Worth per Latest Financial Statements	Ratio of Accumulated Endorsement /Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement /Guarantee Amount Allowed (Note 2)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
		Name	Relationship										
0	Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	Subsidiary	$983,961	$92,115	$92,115	$92,115	-	6.56%	$1,124,527	Y	N	N

Note 1: Limits on endorsement/guarantee amount provided to each guaranteed party is 70% of net worth for December 31, 2023

Note 2: Total amount of endorsement/guarantee provided limited to 80% of net worth for December 31, 2023.

(3) Securities held (excluding subsidiaries, associates and joint ventures):

Company Held	Security Type and Name	Relationship with Issuer	Financial Statement Account	As of December 31, 2023			
				Share (Unit)	Carrying Amount	Shareholding %	Fair Value
Falcon Machine Tools Co., Ltd.	Zheng Cheng He Corporate Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	120,000	-	15.00%	-
Falcon Machine Tools Co., Ltd.	Qing Jing Xiang Asset Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,500,000	$14,866	10.00%	$14,866
Falcon Machine Tools Co., Ltd.	Qing Jing Ning Construction Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,002,000	$9,672	5.00%	$9,672

(4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more: None

(5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more: none

(6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more:

Disposed Company	Name of Property	Transaction Date	Acquisition date	Carrying amount	Transaction Amount	Price collection situation	Gains and losses on disposal	Trading partners	Relationship	Purpose and Use of Disposal	Price Reference	Other Terms
Falcon Machine Tools Co., Ltd.	Non-current assets for sale (Taya District, Taichung City)	2023/7/7	1979/1/1	$78,898	$297,890	Take back all	$218,856	E-tech Machinery	None	Cost saving, revival assets and strengthen operational capital	Reference to market conditions and appraisal report	None

(7) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2022

Company Name	Related Party	Relationship	Transaction Details				Different		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/Collection Term	Unit price	Credit period	Balance	% to Total	
Falcon Machine Tools Co., Ltd.	CHEVALIER MACHINERY ,LTD.	Subsidiary	Sale	$270,271	31.56%	Same as other customers	None	None	$28,595	17.43%	None

(8) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2022: None

(9) Financial instruments and derivative transactions: None

2. Information on investees:

Information on investees are as follows (excluding investment in Mainland China)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares (in thousand)	%	Carrying Amount (Note 4)			
Falcon Machine Tools Co., Ltd.	Chevalier Machinery, Inc.	9925 TABOR PLACE, SANTA FE SPRINGS, CA90670, USA	Machine imports and distributions	$103,047	$103,047	2,120	100.00%	$167,178	$32,468	$33,161	Note 2, 3, 4
Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	P.O. BOX 3321 ROAD TOWN, TORTOLA (B.V.I)	General investment	$279,900	$279,900	8,795	100.00%	$129,888	($33,595)	($33,509)	Note 1, 2, 3, 4
Falcon Machine Tools Co., Ltd.	Lin Yu International Industrial Co., Ltd.	8F, No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	Real Estate Agent	$150,000	$50,000	15,000	100.00%	$129,749	($19,648)	($19,648)	Note 3
Falcon Machine Tools Co., Ltd.	Hwang Kang Machinery Co., Ltd.	No. 262, Xinggong Rd., Hemei Township, Changhua County 508003, Taiwan (R.O.C.)	Sheet-metal and parts manufacturing and processing	$17,897	$17,897	2,287	40.18%	$19,664	($11,832)	($4,754)	Note 2
Falcon Machine Tools Co., Ltd.	Focus CNC Co., Ltd.	No. 16, Longshan 2nd St., Daya Dist., Taichung City 428006, Taiwan (R.O.C.)	Machine manufacturing and processing	$16,910	$16,910	8,337	39.18%	$138,848	$19,304	$7,564	Note 2
Falcon Machine Tools Co., Ltd.	Ching Young International Industrial CO., LTD	5 F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	Real Estate Agent	$15,000	-	1,500	7.50%	$17,149	$45,449	$2,149	

Note 1: The investment income of the investees including the recognized gains and losses of their further investments in their investees.
Note 2: The investment income of the investees including the investment gains or losses generated from downstream, upstream or sidestream deals.
Note 3:Carrying amounts including unrealized downstream gains or losses of related parties.

3. Information on investments in Mainland China:

(1) The Company invests in Mainland China through Lucky Investment Services Inc. and Chevalier Machinery Co., Ltd. (Shanghai). The related information is as follow:

Company	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow					
Chevalier Machinery Co., Ltd. (Shanghai)	Machine Tools Manufacture and Distribution	$104,090 (USD3,390 thousand)	Indirectly invested by establishing a company in a third country	$232,375 (USD7,568 thousand)	-	-	$232,375 (USD7,568 thousand)	100.00%	($7,645) (Note 1)	$89,074	-
Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	$409,543 (USD13,338 thousand)	Indirectly invested by establishing a company in a third country	-	-	-	-	100.00%	($18,913) (Note 1)	$155,282	-

Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$232,375 (USD7,568 thousand)	$365,727 (USD11,911 thousand)	N/A (Note 2)

Note 1:According to audited financial statements

Note 2:According to Ministry of Economic Affairs Decree Jing-Gong No.11120415670 issued by Industrial Development Bureau on May 18, 2023, The Company's investment in Mainland China is not restricted by 60% of net worth or consolidated net worth set by Investment Review Committee.

Note 3:In according with Second Amendment of No.11100096200 issued by Ministry of Economic Affairs on July 11, 2023, the Company is permitted to invest USD342,622 to Lucky Investment Services.

(2) For the year ended December 31, 2023, the Company's significant transactions with investees in Mainland China that have taken place in a third country:

a. Sale

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	$ 23,105

b. Accounts receivable

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	$ 8,301

c. Endorsement/Guarantee

Please refer to consolidated note 13.1(2) for further details.

4. Information on major shareholders:

As of December 31, 2023

Share / Shareholder	Share Unit	%
Lin Ju Investment Co., Ltd.	10,061,000	9.41%
LIN, TSUNG-LIN	8,301,000	7.76%
LYU,JIN-FA	5,981,000	5.59%

6.6.There has been no occurrence of financial difficulties that could have an impact on the financial condition of the company and its related enterprises in the latest and until the printing of the annual report.

VII.Review of Financial Conditions, Financial Performance, and Risk Management

7.1.Analysis of Financial Status

Unit: NT$ thousands

Item	2023	2022	Difference	
			Amount	%
Current Assets	2,134,057	1,790,097	343,960	19.21
Real estate, plant and equipment	283,259	293,688	(10,429)	(3.55)
Fixed Assets	5,885	10,960	(5,075)	(46.30)
Other Assets	506,169	378,479	127,690	33.74
Total Assets	2,929,370	2,473,224	456,146	18.44
Current Liabilities	776,030	1,143,551	(367,521)	(32.14)
non-current liabilities	747,681	508,700	238,981	46.97
Total Liabilities	1,523,711	1,652,251	(128,540)	(8.44)
Equity attributable to owners of the Company	1,405,659	820,973	584,686	71.22
Stock	1,068,803	768,803	300,000	39.02
Capital surplus	178,260	11,460	166,800	1,455.50
Retained Earnings	183,821	64,561	119,260	184.72

Note:Below are the main reasons, impact on the company, and future plans in response to the changes in assets, liabilities, and shareholder equity during the second fiscal year. These changes had a variance of over 20 percent between the current and previous periods, with a total amount of over NTD 10 million.

1.Explanation of the main reasons for the changes:

(1) Intangible Assets: The decrease in other intangible assets.

(2) Other Assets: An increase in right-of-use assets and an increase in financial assets measured at amortized cost, due to better utilization of idle funds.

(3) Current Liabilities: A portion of long-term loans reclassified as due within one year.

(4) Non-Current Liabilities: A portion of long-term loans shifted from short-term to long-term.

(4) Equity Attributable to Owners of the Parent Company: Private placement of new shares.

(5) Share Capital: Private placement of new shares.

(6) Capital Reserve: Private placement of new shares.

(7) Retained Earnings: Increase in net profit after tax.

2.Impact: No significant impact.

3.Future response actions: Given the anticipated recovery in order intake in the second half of 2024 and hopeful industrial economic recovery, the company will continue to implement policies to increase revenue and reduce expenses, alongside cost control and inventory management, to maintain stable profitability.

7.2.Analysis of Financial Performance

Unit: NT$ thousands

Item	2023	2022	Increase (Decrease) amount	Increase (Decrease) ratio%
Gross Sales	1,290,783	1,610,552	(319,769)	(19.85)
Cost of Sales	924,668	1,206,683	(282,015)	(23.37)
Gross Profit	366,115	403,869	(37,754)	(9.35)
Operating Expenses	404,473	388,533	15,940	4.10
Operating Income(Loses)	(38,358)	15,336	(53,694)	(350.12)
Non-operating Expenses(net)	208,100	(2,651)	210,751	(7,949.87)
Income Before Tax(Loses)	169,742	12,685	157,057	1,238.13
Tax Benefit (Expense)	(54,090)	(35,680)	(18,410)	51.60
Net Income (Loss) for the Period	115,652	(22,995)	(56,895)	(502.94)

Note: Below are the main reasons, impact on the company, and future plans in response to significant changes in operating revenue, net income, and pre-tax profit during the past two fiscal years. These changes had a variance of over 20 percent between the current and previous periods, with a total amount of over NTD 10 million.

1.Explanation of main reasons for changes:

The primary reason is a decline in revenue and appropriate control of variable costs; however, an increase in operating expenses due to the expansion of the construction division led to operating losses. Profits from the sale of idle assets increased non-operating income. Additionally, provisions for income tax on dividends from the U.S. subsidiary led to an overall increase in profits.

2.Impact: No significant impact.

3.Future response actions: Given the anticipated recovery in order intake in the second half of 2024 and the potential for economic recovery in the industry, the company will continue to implement policies to increase revenue and reduce expenses, along with cost control and inventory management, to maintain stable profitability.

7.3.Analysis of Cash Flow

7.3.1.Cash Flow Analysis for the Current Year(2023)

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Annual Net Cash Flow from Investing Activities	Net Cash Flow from Full-year financing activities	Exchange Rate Changes on Cash	Cash Balance (Deficiency) Remaining	Note
340,277	52,920	133,237	309,545	(206)	835,773	
Analysis of change in cash flow 1. Operating Activities: Mainly due to an increase in pre-tax profits. 2. Investment Activities: Resulting from the disposition of idle assets. 3. Financing Activities: Caused by the private placement of new shares. 4. Effects of Exchange Rate Changes: Due to the appreciation of the New Taiwan Dollar						

7.3.2.Remedy for Cash Deficit and Liquidity: Not applicable.

7.3.3.Cash Flow Analysis for the Coming Year (2024):

Unit: NT$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Annual net cash flow from investing activities	Net Cash Flow from Full-year financing activities	Exchange Rate Changes on Cash	Cash Balance (Deficiency) Remaining	Note
835,773	76,000	(15,000)	(30,000)	(2,000)	839,773	
Analysis of Cash Flow Changes: 1. Operating activities: The expected net cash inflow from operating activities is NTD 76,000,000, mainly due to the expected increase in operating profit in 2024. 2. Investing activities: Investment Activities: Expected net cash outflows of NT$120,000 thousand from investment activities, anticipated for acquiring investments.. 3. Financing activities: Expected net cash outflows of NT$50,000 thousand from financing activities, planned for the distribution of cash dividends. 4. Impact of exchange rate changes: The expected appreciation of the New Taiwan Dollar is the main factor.						

7.4.Major Capital Expenditures Items

Due to the company's favorable operating conditions and stable cash inflows from operating activities, the main source of funding for significant capital expenditures in recent years has been from self-generated operating funds. Therefore, there was no significant impact on the company's finances.

7.5.Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year

The company's investment policy is focused on long-term strategic goals and dedicated to integrating construction and sales agents. In 2023, the newly added investment in equity method resulted in a loss of NTD 19,655. The main reason is that some of the invested businesses are in their early stages of operation and have not yet stabilized. It is expected that investment efficiency will gradually improve in the future. The company will continue to evaluate investment plans prudently and adhere to the principle of long-term strategic investment in the future.

7.6.Analysis and assessment of risk factors up to the date of the annual report

7.6.1.The impact of changes in interest rates, exchange rates, and inflation on the company's income and future response measures:

I.Impact on company's profitability.

Item	2023（NT$ Thousands;%）
Interest income (expense) net	(39,537)
Foreign exchange gain (loss) net	687
Interest income (expense) net to net revenue ratio	(3.63)
Interest income (expense) net to pre-tax income ratio	(23.29)
Foreign exchange gain (loss) net to net revenue ratio	0.05
Foreign exchange gain (loss) net to pre-tax income ratio	0.40

A. Interest rate: The sensitivity analysis of interest rate risk is mainly based on the floating interest rate of the borrowings as of the end of the financial reporting period. Assuming holding for one accounting year, a 10 basis point increase/decrease in market interest rates would reduce/increase the income of the Group for the fiscal years 2023 and 2022 by NTD 1,008 thousand and NTD 880 thousand, respectively.

B. Exchange rates changes: When the New Taiwan Dollar appreciates or depreciates by 1% against the US dollar, it will respectively decrease or increase the Group's profit and loss for 2023 and 2022 by NT$113,000 and NT$359,000. Similarly, a 1% appreciation or depreciation of the New Taiwan Dollar against the Chinese Yuan will increase or decrease the Group's profit and loss for 2023 and 2022 by NT$42,000 and NT$293,000, respectively.

C. Inflation: The domestic and foreign procurement ratio of raw materials and goods of the Company is 4:1. For example, if the procurement amount at the end of 2023 is approximately NTD 1.220 billion, a 1% increase in domestic inflation rate would increase the annual cost and expense of the Company by NTD 12,200 thousand.

II.Future Corresponding

A. Interest rates: The Company expects that the central bank interest rate in 2024 will not rise further, similar to the situation with the US FED. This will not have an impact on the Company's long- and short-term borrowing interest burden. Therefore, the Company will maintain good communication with its partner banks, keep up-to-date with the latest market interest rate conditions, and prioritize borrowing from banks with the lowest interest rates to reduce interest expenses and achieve the best interest rate level.

B. Exchange rates: The majority of the Company's export transactions are denominated in US dollars. The Company adopts a conservative approach when quoting prices to customers, based on a stable and conservative exchange rate. The Company also opens foreign currency deposit accounts with banks to meet foreign exchange fund requirements and retains foreign currency positions. The Company adjusts its foreign exchange positions according to the changes in exchange rates, minimizing the impact of exchange rate fluctuations on the Company's profits and losses.

C. Inflation: The Company's response measures involve adjusting product prices based on changes in raw material prices and considering market supply and demand. The Company also requests the design unit to reduce unnecessary or unclear functional components to reduce product costs.

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

The Company did not engage in high-risk, high-leverage derivative trading in 2022 and as of the date of this annual report. Policies and response measures for lending funds, endorsement guarantees, and derivative trading were implemented according to the Company's established "Asset Disposal Processing Procedure," "Fund Lending Procedure," "Endorsement Guarantee Procedure," and "Derivative Trading Processing Procedure."

7.6.3.Future Research & Development Projects and Corresponding Budge: Please refer to page 52 to page 55 of the annual report.

7.6.4.Impact of important domestic and international policies and legal changes on thecompany's financial business and response measures:

The business activities currently conducted by the company comply with the policies and laws in each respective location, and the company maintains good interaction with local distributors. In the event of any policy or legal changes, the company can promptly report to itself to serve as a basis for decision-making.

7.6.5.Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The company has actively introduced electronic operation systems and established a network information system in recent years to closely integrate with upstream and downstream industries, shorten the transmission process of related information, and effectively improve the operation schedule to enhance operational efficiency. Therefore, the company has implemented technological management in recent years. In response to changes in the industry environment, the company is committed to investing in new product development, process improvement, and technology upgrading to strengthen product intelligence and enhance competitiveness. Hence, technological and industrial changes should have a positive impact on the company's finance and business.

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

The company has always adhered to the principles of professionalism and integrity, and attached great importance to corporate image and risk management. At present, there are no foreseeable crisis events.

7.6.7.Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: The company has no plan for merger or acquisition.

7.6.8.Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company has no plans for expanding its factories.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company has a diversified range of suppliers and customers for purchasing and selling goods, and maintains a good relationship with them. Therefore, there is no significant risk of concentration in either purchasing or sales.

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

There have been changes in the directors of the Company this year. However, the number of shares they currently hold has not resulted in any significant changes, impacts, or risks to the overall operation of the Company.

7.6.11.Effects of, Risks Relating to and Response to the Changes in Management Rights

Future business operations will be jointly managed by the new and existing management teams to create the best interests for both customers and investors. Through resource sharing and market expansion, the group will strengthen its overall position. Therefore, the change in management is not expected to have any significant impact or risk on the company's operations.

7.6.12.There are no significant lawsuits, non-litigation or administrative disputes involving the Company, its directors, supervisors, general manager, substantial shareholders holding more than ten percent of the Company's shares, or its subsidiaries, which have been determined by a final and conclusive judgment or are pending and may have a significant impact on the rights and interests of shareholders or the Company's securities price, and therefore no disclosure is required.

7.6.13.Other Majors Risk and Resolution: None.

7.7.Risk Management Organization

7.7.1.Risk Management Organization and its operation

(1) The company has always implemented a strict and prudent approach to enterprise risk management (including risk detection, assessment, reporting, and handling), and it is controlled in accordance with the latest internal audit developments, guidelines, and legal regulations.

(2) The company's risk control is divided into a three-stage control mechanism: the initial control mechanism is the host unit, which must take responsibility for the initial risk perception, assessment, and control considerations and prevention. The second control mechanism is the various management meetings led by the General Administration or General Manager, which includes various risk assessments in addition to responsibility for probability assessments. The ultimate control mechanism is the Audit Department and Board Meetings, which ensure final risk management through the audit department's review, supervision, and tracking, and the Board's deliberation. In addition, our Legal Department also executes risk detection, assessment, and prevention suggestions for significant risk assessments.

(3) At each stage of company's control mechanism, immediate risks are immediately reported upward during normal times, and are thoroughly eliminated and prevented. To date, our company has had no incidents of risk due to the implementation of these control mechanisms, indicating good control.

7.7.2.Risk Management Organization Chart

Risk Management	Risk Assessment Items	Direct Risk Control (Initial Control Mechanism)	Risk Review and Control (Second Control Mechanism)	Decision-making and follow-up monitoring (Final control mechanism)
Financial, accounting, and liquidity risks:	1.Interest rate, exchange rate, and financial risks 2.Risks of lending funds and endorsement guarantees 3.Risks of derivative financial products and other financial investments 4.Tax, cost, and related accounting risks	1.Financial Department (Accounting Division) 2.Financial Department (Finance Division) 3.Financial Department (Finance Division) 4.Financial Department (Accounting Division)	Management Office and Executive Meetings	Board of Directors and Supervisors Meeting (Risk Assessment, Control Decision Making, and Final Control) Audit Department (Risk Assessment, Check, Supervision, Improvement and Reporting)
Market and Credit Risk	1.Customer Credit Rating and Collection Risk 2.Market Trend Investigation and Evaluation Risk 3.Marketing and Sales Service Risk	1.Marketing Service Department, Finance Division 2.Marketing Service Department, General Management Division 3.Marketing Service Department, General Administration Division	General Administration Department，Production，Sales and Management Meeting	
Strategic and Operational Risk	1.Business Strategy Risk 2.Procurement, Production and Quality Risk 3.Corporate Image and Human Resources Risk 4.Product Improvement and Research and Development Risk 5.Political, Policy and Legal Risk 6.Long-term Investment and Related Party Risk 7.Equity and Management Team Risk 8.Other Risks	1.General Administration 2.Department, Production Management Center, Production Department, Quality Control Department 3.General Administration Department, Marketing Service Department 4.New Product Development Department,General Administration Department 5.8.General Administration Department, Management Center 6.7.General Administration Department, Finance Division	General Administration Department, Production and Sales Meeting, Research and Development Meeting, and Management Meeting.	

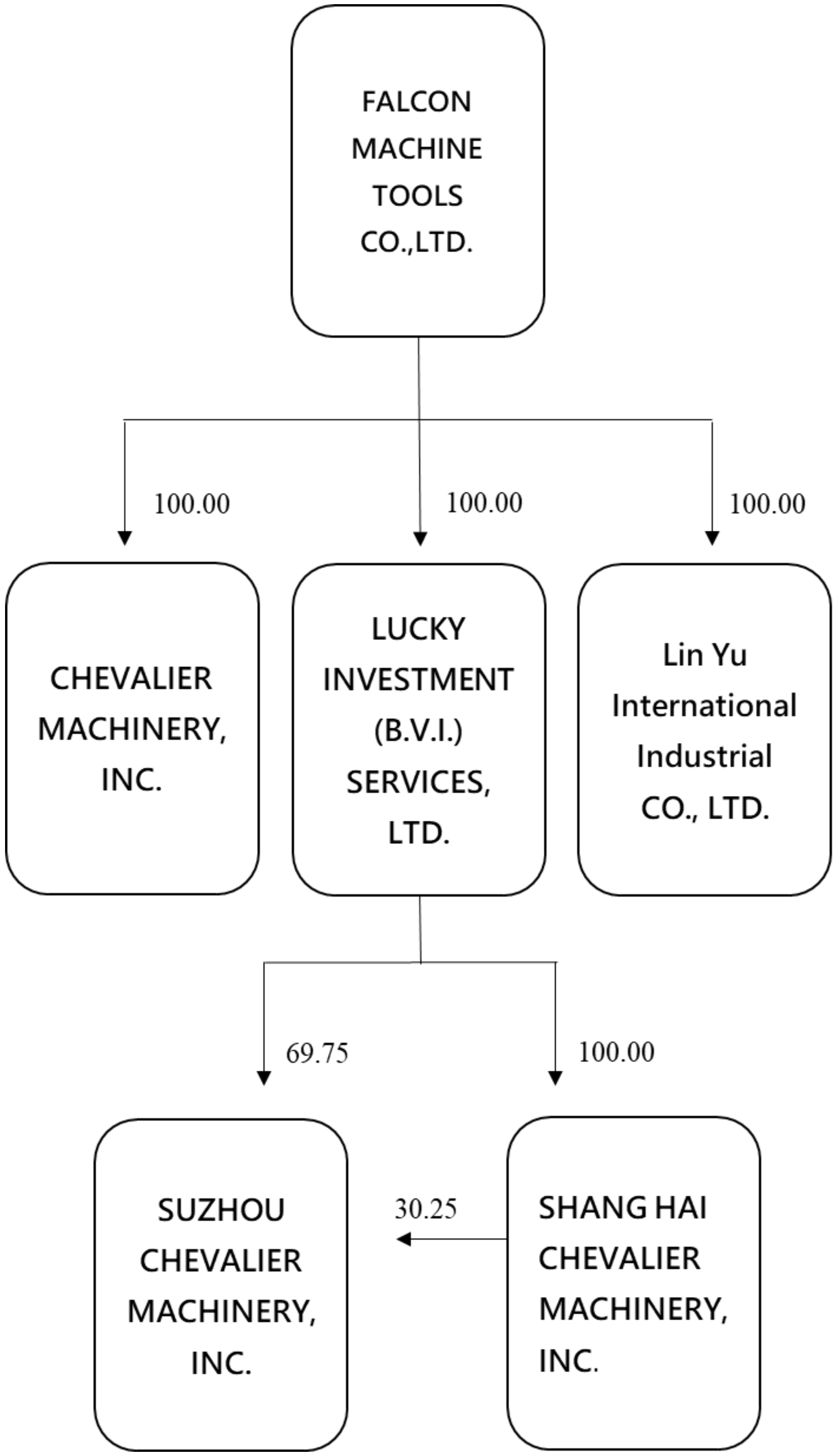
7.8.Other Major Risk: None

VIII.Special Disclosure

8.1.Summary of Affiliates Companies

8.1.1.Related Party Transactions in Annual Report

I.Organizational Chart of the Affiliated Companies of Falcon Machine Tools CO., LTD



II.The relationships, mutual shareholding ratios, shareholdings, and actual investment amounts between affiliated companies.

2024/04/27;Unit:Share/NT$ Thousands

Affiliated Company Name	Relationship with the Company	Actual Investment Amount	Company's Investment or Holding of Affiliated Company Shares		Affiliated Company's Holding of the Company's Shares	
			Share	%	Share	%
CHEVALIER MACHINERY, INC.	Subsidiary	103,047	2,120	100%	-	-
LUCKY INVESTMENT (B.V.I.) SERVICES, LTD.	Subsidiary	279,900	8,795	100%	-	-
LIN YU INTERNATIONAL INDUSTRIAL CO., LTD.	Subsidiary	200,000	20,000	100%	-	-
SUZHOU CHEVALIER MACHINERY, INC.	Subsidiary	284,850	-	69.75%	-	-
SHANG HAI CHEVALIER MACHINERY, INC.	Subsidiary	110,509	-	100%	-	-

III.Basic information of each affiliated company

Unit: NT$ /US$

Company Name	Date of Establishment	Address	Paid-in Capital	Main Business or Production Items
CHEVALIER MACHINERY, INC.	1982.10.07	9925 TABOR PLACE SANTA FE SPRINGS, CA90670, USA 77871RENCHEN,Schwarzwaldstr.1	USD2,120,000	Machinery import and distribution business
LUCKY INVESTMENT(B.V.I.) SERVICES,LTD.	2000.12.16	P.O.BOX3321 ROAD TOWN, TORTOLA(B.V.I.)	USD8,795,024	General investment business
LIN YU INTERNATIONAL INDUSTRIAL CO., LTD.	2022.12.09	8 F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	NT200,000,000	Real estate agency, brokerage, trading, and leasing business
SUZHOU CHEVALIER MACHINERY, INC.	2011.06.29	No. 58 Huangpujiang Road, Southeast High-Tech Development Zone, Changshu City, Jiangsu Province	USD13,338,000	Manufacturing and trading of machinery
SHANG HAI CHEVALIER MACHINERY, INC.	2001.06.21	No. 168 Yumin Road, Malu Industrial Park, Jiading District, Shanghai	USD3,390,000	Manufacturing and trading of machinery

IV.Information regarding common shareholders for companies under control or subsidiary companies: Not applicable

V.The main industries covered by the overall affiliated companies' business operations are:

a. Main business: Manufacturing and processing of various types of machine tools, domestic and foreign sales, as well as related import and export trading and investment activities.
b. General investment business.
c. Real estate agency, brokerage, and leasing business: including general advertising services, landscape and interior design, residential and building development and leasing, etc.
d. For details on the main business or production items of each affiliated company, please refer to the list of basic information of affiliated companies as detailed in Section 3 above.

VI.Information on the directors, supervisors, and general managers of each affiliated company

Company Name	Title	Name or Representative	Shareholding Held	
			Shares	%
CHEVALIER MACHINERY, INC.	Director	Falcon Machine Tools CO., LTD Representative: Chiu, Ching-Hsiung	2,120,000	100%
LUCKY INVESTMENT(B.V.I)SERVICES ,LTD.	Director	Falcon Machine Tools CO., LTD Representative: Chen,Shih-En	8,795,024	100%
LIN YU INTERNATIONAL INDUSTRIAL CO., LTD.	Director Supervisor	Falcon Machine Tools CO., LTD Representative: Lin, Tsung-Lin Falcon Machine Tools CO., LTD Representative: Tsai, Tsung-Hsueh	20,000,000 20,000,000	100% 100%
SUZHOU CHEVALIER MACHINERY, INC.	Chairman Director Director Supervisor	Chen,Shih-En Song, Wen-Long Chang,Chih-Huang Chang,Shun-Fu	USD13,338,000	69.75%
SHANG HAI CHEVALIER MACHINERY, INC.	Chairman Director Director Supervisor	Chen,Shih-En Song, Wen-Long Chang,Chih-Huang Chang,Shun-Fu	USD3,390,000	100%

VII.Operational Overview of Affiliated Companies:

Unit: NT$ Thousands

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Net Income (After Tax)	EPS (After Tax)
CHEVALIER MACHINERY, INC.	65,094	350,165	147,225	202,940	454,414	45,191	32,468	15.32
LUCKY INVESTMENT (B.V.I)SERVICES LTD.	270,015	244,388	112,952	131,436	0	0	(33,595)	(2.72)
LIN YU INTERNATIONAL INDUSTRIAL CO., LTD.	200,000	146,735	16,994	129,741	15,900	(25,070)	(19,655)	(1.31)
SUZHOU CHEVALIER MACHINERY, INC.	409,543	421,845	199,218	222,627	259,165	(26,733)	(27,115)	(2.03)
SHANG HAI CHEVALIER MACHINERY, INC.	104,089	89,392	318	89,074	0	(63)	(7,645)	(2.26)

8.2 Transactions of privately placed securities during the current fiscal year and up to the date of publication of this annual report:

Project	First Private Placement of Common Stock in 2023
Date of Issued	December 21, 2023
Types of Private Placement Securities	Common Stock
Date and Amount Approved by the Shareholders' Meeting	At the shareholders' meeting on June 21, 2023, the company resolved to issue common stock through a private placement for a cash capital increase within Taiwan, not exceeding 30,000 thousand shares. The shareholders' meeting authorized the board of directors to execute this within one year from the date of the shareholders' meeting resolution, either in one go or in two separate instances
Basis and Rationality for Price Setting	1.The price for this private placement is set according to the pricing principles decided at the shareholders' meeting on June 21, 2023. The pricing day is set for November 9, 2023, and is calculated based on the higher of the following two criteria: (1) The simple arithmetic average of the closing prices of the common stock on the one, three, and five business days prior to the pricing day, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits, with respective prices of $19.80, $19.68, and $19.44.The selected price is $19.44, which is the average closing price of the stock one business day prior, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits. (2) The simple arithmetic average of the closing prices of the common stock over the thirty business days prior to the pricing day, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits, is $19.20. (3) Based on the higher of the two criteria above, $19.44 is chosen as the reference price. After comprehensive consideration, the actual private placement price is set at $15.56 per share, which is not less than 80% of the reference price. 2.The method of pricing this private placement of common shares, as described above, is deemed reasonable.
Method of Selecting Specific Persons	The selection of specific persons is conducted in accordance with Article 43-6 of the Securities and Exchange Act and the regulations of the Financial Supervisory Commission (FSC) dated June 13, 2002, under order number (91) Tai-Cai-Zheng-Yi No. 0910003455, which limit the selection to specific persons as stipulated
Reasons for Conducting a Private Placement	Considering factors such as capital market conditions, timeliness of fundraising, issuance costs, and equity stability.

Completion Date of Payment of Purchase Price	17th November, 2023				
Applicant Information	Private Placement Recipients	Qualification Criteria	Subscription Quantity	Relationship with the Company	Involvement in Company Operations
	Lin, Tsung-Lin	Accordance with Article 43-6 of the Securities and Exchange Act	8,200,000 Shares	Chairman of Company	Involved in Company Operations and Management
	Tung, Shang-Yu		1,000,000 Shares	Vice Chairman and General Manager of Company.	Involved in Company Operations and Management
	Luqi Investment Co., Ltd.		5,000,000 Shares	Pperson in charge is the spouse of the legal representative of company	NO
	Hou,Chia-Chang		1,000,000 Shares	NO	NO
	Chen,Ching-Yi		1,000,000 Shares	NO	NO
	Chen,Chien-Liang		500,000 Shares	NO	NO
	Wu,Chen-Chung		500,000 Shares	NO	NO
	Cheng,Hsiao-Chin		3,000,000 Shares	NO	NO
	Lin Sen Investment Co., Ltd.		3,000,000 Shares	NO	NO
	Lu,Chin-Fa		1,500,000 Shares	NO	NO
	Kuo,Tai-Yin		600,000 Shares	NO	NO
	Kuo,Hung-I		700,000 Shares	NO	NO
	Kuo,Hung-Yu		700,000 Shares	NO	NO
	Hsiao,Tsung-I		1,000,000 Shares	NO	NO
	Cai Fu Limited Company		1,800,000 Shares	NO	NO
	Sun,Kuang-Chi		200,000 Shares	NO	NO
	Ou,Shu-Ling		50,000 Shares	NO	NO
	Chang,Yu-Tung		50,000 Shares	NO	NO
	Hou,Sheng-Yuan		100,000 Shares	NO	NO
	Chen,Mei-Chun		100,000 Shares	NO	NO
Actual subscription price	NT$ 15.56				
Difference between actual subscription price and reference price	The actual subscription price is 80.04% of the reference price of $19.44				
Impact of conducting private placement on shareholder equity	The purpose of raising funds through the issuance of privately placed securities by the company is to enhance operational capital, improve operational and debt repayment capabilities, optimize financial structure, and reduce interest expenses. These benefits are expected to have a positive impact on shareholder equity. Therefore, the issuance of privately placed securities should not significantly affect shareholder equity.				
The utilization status and progress of the private placement funds	$301,033,578 has been spent as of the fourth quarter of 2024Q1.				
The visible benefits resulting from the private placement	1.Enhancing operational liquidity by augmenting working capital, bolstering cash reserves, and increasing financial flexibility. 2.Improving financial structure by boosting liquidity ratios and reducing debt-to-equity ratios.				

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other necessary supplementary information: None.

8.5 During the latest fiscal year and up to the date of printing this annual report, events that have occurred under Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act which have a material impact on shareholder equity or the price of securities: None.

Falcon Machine Tools Co., Ltd.

Chairman　Lin, Tsung-Lin