

Mosa Industrial Corp.

Standalone Financial
Statements and Independent
Auditors' Report
2022 and 2021

Address: No. 18, Kehu 3rd Rd., Huwei Township, Yunlin County
Tel. No.: (05)6361867

.....
For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

§Table of contents§

	Item	Page	Notes to Consolidated Financial Statements
I.	Cover	1	-
II.	Table of Contents	2	-
III.	Independent Auditors' Report	3~6	-
IV.	Parent-Only Balance Sheet	7	-
V.	Parent-Only Comprehensive Income Statement	8~9	-
VI.	Parent-Only Statement of Changes in Equity	10	-
VII.	Parent-Only Cash Flow Statement	11~12	-
VIII.	Notes to the Standalone Financial Statements		
	(I) Company Profile	13	1
	(II) Date and Procedure for Approval of Financial Statements	13	2
	(III) Application of Newly Issued and Amended Standards and Interpretations	13~14	3
	(IV) Summary of Significant Accounting Policies	14~25	4
	(V) Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty	25~26	5
	(VI) Description of Significant Accounting Items	26~45	6~23
	(VII) Related Party Transactions	45~46	24
	(VIII) Assets Pledged as Collateral	46	25
	(IX) Significant Contingent Liabilities and Unrecognized Contractual Commitments	46	26
	(X) Significant Losses to Disasters	-	-
	(XI) Significant Post-Term Events	-	-
	(XII) Others	-	-
	(XIII) Information on Financial Assets and Liabilities Denominated in Foreign Currencies with Significant Influence	46~47	27
	(XIV) Additional Disclosures		
	1. Information on Major Transactions	47	28
	2. Information on Investee Companies	47	28
	3. Information on Investments in Mainland China	47~48	28
	4. Information on Major Shareholders	48	28
	(XV) Segment Information	-	-
IX.	Schedule of Significant Accounting Entries	56~70	-

Independent Auditors' Report

To: Mosa Industrial Corp.

Audit opinion

We have reviewed the parent company only balance sheet of Mosa Industrial (the "Company") from January 1 to December 31, 2022 and 2021 and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies "(collectively referred to as the parent company only financial statements)".

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and for the years then ended, and its individual financial performance and its individual cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibility under those standards is further described in the section of "Auditor's Responsibilities for the Audit of the Parent-only Financial Statements". The personnel from our public accounting firm who are subject to the requirements for independence has maintained independence from Mosa Industrial Corporation in accordance with the Code of Professional Ethics for Certified Public Accountants and have fulfilled other ethical responsibilities accordingly. 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 of most significance in our audit of the 2022 Parent Company Only Financial Statements of Mosa Industrial Group. These matters were addressed in our audit of the parent-only financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the Parent Company Only Financial Statements of the Group for the year 2022, are stated as follows:

Operating revenue

The revenue sources of Mosa Industrial Company are the consumer goods sector and the industrial product sector. The sales revenue of some of the important customers has increased significantly compared to the previous year, or the revenue of the customer is significant, because the aforementioned operating revenue is listed as a key audit item. The accounting policy for the recognition of operating income is disclosed in Note 4.

The main audit procedures we performed for said matter are as follows:

1. Understand and evaluate the appropriateness of the design and implementation of risk-related internal control over operating procedures related to operating revenue recognition and collection, and test the effective and continuing operation of related operations in the middle of the year.
2. We send letters to important customers that meet specific risk characteristics. If no reply is received, the Company will check the follow-up collection or check the corresponding order and delivery documents to confirm the authenticity of operating revenue.

Responsibilities of the management and the governing body for the parent-only financial statements

The responsibilities of the management are to prepare the parent-only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, management is also responsible for assessing Mosa Industrial Company's ability to continue as a going concern, disclosure of relevant matters and adoption of the going concern basis of accounting unless management either intends to liquidate Mosa Industrial Company or to cease operations or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the parent-only financial statements

Our objectives are to obtain reasonable assurance on whether the parent-only financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the misstated individual amount or the aggregate sum can be reasonably expected to influence the economic decision of the users of parent company only financial statements, it is deemed material.

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

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent-only financial statements; design and execute countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis of our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Obtain a necessary understanding of internal control relevant to the audit in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mosa Industrial Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting, based on the audit evidence obtained, and whether a material uncertainty exists related to events or conditions that may cast significant doubt on Mosa Industrial Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent-only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need 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 Mosa Industrial Company no longer able to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent-only financial statements (including relevant notes), and whether the parent-only financial statements adequately present the relevant transactions and events.

The matters communicated between us and the governing body include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided the governing body with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with those charged with governance, we determine the key audit matters for our audit of Mosa Industrial Company's 2022 parent company only financial statements. 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 not to communicate specific matters in the auditor's because the adverse consequences of such communication would reasonably be expected to outweigh the public interest benefits that would be enhanced.

Deloitte Touche
CPA Tseng Tung-Yun

CPA Su Ting-Chien

Securities and Futures Commission Approval
Document No.
Tai-Cai-Zheng-Liu-Zi No. 0920123784

The Financial Supervisory Commission R.O.C.
Approved No.
Jin-Guan-Zheng-Shen-Zi No. 1070323246

March 13, 2023

Mosa Industrial Corp.
parent-only Balance Sheet
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ Thousand

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash (Notes 4 and 6)	\$ 395,210	5	\$ 399,317	5
1150	Notes receivable - non-related parties (Notes 4 and 7)	1,201	-	2,173	-
1170	Accounts receivable - non-related parties (Notes 4 and 7)	292,959	4	388,467	5
1200	Other receivables (Note 4 and 24)	9,422	-	27,294	-
130X	Inventories (Notes 4 and 8)	190,771	2	235,917	3
1410	Pre-payments	50,463	1	47,660	1
1476	Other financial assets – current (Notes 4, 6 and 25)	9,000	-	-	-
1479	Other current assets	1,725	-	5,859	-
11XX	Total current assets	950,751	12	1,106,687	14
	Non-current assets				
1550	Investment under the equity method (Notes 4 and 9)	1,319,018	17	1,254,177	16
1600	Property, plant and equipment (Notes 4, 10 and 25)	3,525,283	46	3,583,308	45
1755	Right-of-use assets (Note 4 and 11)	1,059,629	14	1,082,706	14
1760	Investment property (Notes 4, 12 and 24)	661,600	9	677,320	8
1780	Intangible assets (Note 4 and 13)	4,383	-	5,651	-
1840	Current income tax assets (Note 4 and 19)	6,981	-	3,785	-
1915	Pre-payments for equipment	165,210	2	281,193	3
1920	Guarantee deposits paid	1,881	-	37	-
15XX	Total non-current assets	6,743,985	88	6,888,177	86
1XXX	Total assets	\$ 7,694,736	100	\$ 7,994,864	100
	Liabilities and equity				
	Current liabilities				
2100	Short-term bank loans (Note 14)	\$ 590,277	8	\$ 365,060	5
2110	Short-term bill payable (Note 14)	79,838	1	29,942	-
2130	Contract liabilities - Current (Note 4)	12,302	-	10,675	-
2150	Note payable - non related parties	9,657	-	48,255	1
2170	Accounts payable - non related parties	43,219	-	124,801	1
2200	Other payables (Note 15)	168,698	2	255,560	3
2230	Current tax liabilities - current (Note 4 and 19)	48,362	1	125,989	2
2280	Lease liabilities - current (Note 4 and 11)	15,507	-	15,233	-
2320	Current portion of long-term bank loans (Notes 14 and 25)	130,000	2	-	-
2399	Other current liabilities	895	-	858	-
21XX	Total current liabilities	1,098,755	14	976,373	12
	Non-current liabilities				
2540	Long-term bank loans (Note 14 and 25)	1,225,000	16	1,445,000	18
2560	Current tax liabilities - non-current (Note 4 and 19)	-	-	6,671	-
2570	Deferred tax liabilities (Note 4 and 19)	1,435	-	-	-
2580	Lease liabilities - non-current (Note 4 and 11)	1,077,100	14	1,092,607	14
2645	Deposits received	10	-	10	-
25XX	Total non-current liabilities	2,303,545	30	2,544,288	32
2XXX	Total liabilities	3,402,300	44	3,520,661	44
	Equity				
3110	Common stock	1,827,883	24	1,827,883	23
3200	Capital surplus	1,854,680	24	1,854,680	23
	Retained earnings				
3310	Legal reserves	238,056	3	206,076	3
3320	Special reserves	4,557	-	4,529	-
3350	Undistributed earnings	371,761	5	585,592	7
3400	Other equities	(4,501)	-	(4,557)	-
3XXX	Total equity	4,292,436	56	4,474,203	56
	Total liabilities and equity	\$ 7,694,736	100	\$ 7,994,864	100

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp.
Parent Company Only Statement of Comprehensive Income
From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousands,
except earnings per share, which is expressed in NT\$1

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 4)	\$ 1,237,214	100	\$ 2,151,676	100
5000	Operating costs (Notes 8 and 18)	<u>1,099,704</u>	<u>89</u>	<u>1,530,840</u>	<u>71</u>
5900	Gross profit	<u>137,510</u>	<u>11</u>	<u>620,836</u>	<u>29</u>
	Operating expenses (Note 18)				
6100	Selling expenses	23,762	2	26,633	1
6200	General and administrative expenses	79,339	6	94,556	5
6300	R&D expenses	18,984	1	16,659	1
6450	Expected credit impairment losses(Note 7)	<u>8,932</u>	<u>1</u>	<u>2,986</u>	<u>-</u>
6000	Total operating expenses	<u>131,017</u>	<u>10</u>	<u>140,834</u>	<u>7</u>
6900	Profit from operations	<u>6,493</u>	<u>1</u>	<u>480,002</u>	<u>22</u>
	Non-operating revenues and expenses				
7010	Other income (Note 18 and 24)	53,933	4	59,199	3
7100	Interest income	530	-	942	-
7020	Other gains or losses (Note 18)	(24,394)	(2)	(85,025)	(4)
7050	Financial costs (Note 18)	(44,109)	(3)	(39,055)	(2)
7070	Share of profit or loss of subsidiaries accounted for using equity method (Note 4 and 9)	<u>62,285</u>	<u>5</u>	(<u>11,572</u>)	<u>-</u>
7000	Total non-operating income and expenses	<u>48,245</u>	<u>4</u>	(<u>75,511</u>)	(<u>3</u>)
7900	Profit before tax	54,738	5	404,491	19
7950	Income tax expense (gain) (Note 4 and 19)	(<u>1,064</u>)	<u>-</u>	<u>84,686</u>	<u>4</u>
8200	Net income of the current year	<u>55,802</u>	<u>5</u>	<u>319,805</u>	<u>15</u>

(Continued on next page)

(Continued from previous page)

Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income (Note 4)				
8360	Items that may subsequently be reclassified to profit or loss				
8370	Share of other comprehensive income of subsidiaries accounted for using the equity method	\$ 56	-	(\$ 28)	-
8500	Total comprehensive income of the current year	<u>\$ 55,858</u>	<u>5</u>	<u>\$ 319,777</u>	<u>15</u>
	Earnings per share (Note 20)				
9750	Basic	<u>\$ 0.31</u>		<u>\$ 1.75</u>	
9850	Diluted	<u>\$ 0.30</u>		<u>\$ 1.74</u>	

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp.
Parent-Only Statement of Changes in Equity
From January 1 to December 31, 2022 and 2021

Unit: NT\$ thousands,
except dividends per share, which is expressed in NT\$

Code		Common stock (Note 17)	Capital received in advance (Note 17)	Capital surplus (Notes 17 and 21)	Retained earnings (Note 17)			Other equities Exchange differences arising from the translation of financial statements of foreign operations (Note 4)	Total equity
					Statutory reserves	Special reserve	Undistributed earnings		
A1	Balance at January 1, 2021	<u>\$ 1,814,733</u>	<u>\$ 20,777</u>	<u>\$ 1,847,053</u>	<u>\$ 176,274</u>	<u>\$ 4,597</u>	<u>\$ 533,146</u>	<u>(\$ 4,529)</u>	<u>\$ 4,392,051</u>
	Earning appropriation and distribution for 2020								
B1	Legal reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,802</u>	<u>-</u>	<u>(29,802)</u>	<u>-</u>	<u>-</u>
B5	Cash dividends to shareholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(237,625)</u>	<u>-</u>	<u>(237,625)</u>
B17	Reversal of special reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68)</u>	<u>68</u>	<u>-</u>	<u>-</u>
N1	Employees' exercise of stock options and issuance of new shares	<u>13,150</u>	<u>(20,777)</u>	<u>7,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D1	2021 net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,805</u>	<u>-</u>	<u>319,805</u>
D3	Other comprehensive net income for year 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>(28)</u>
D5	2021 total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,805</u>	<u>(28)</u>	<u>319,777</u>
Z1	Balance at December 31, 2021	<u>1,827,883</u>	<u>-</u>	<u>1,854,680</u>	<u>206,076</u>	<u>4,529</u>	<u>585,592</u>	<u>(4,557)</u>	<u>4,474,203</u>
	Earning appropriation and distribution for 2021								
B1	Legal reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,980</u>	<u>-</u>	<u>(31,980)</u>	<u>-</u>	<u>-</u>
B3	Special reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>(28)</u>	<u>-</u>	<u>-</u>
B5	Cash dividends to shareholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(237,625)</u>	<u>-</u>	<u>(237,625)</u>
D1	2022 net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,802</u>	<u>-</u>	<u>55,802</u>
D3	Other comprehensive net income for year 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>
D5	2022 total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,802</u>	<u>56</u>	<u>55,858</u>
Z1	Balance at December 31, 2022	<u>\$ 1,827,883</u>	<u>\$ -</u>	<u>\$ 1,854,680</u>	<u>\$ 238,056</u>	<u>\$ 4,557</u>	<u>\$ 371,761</u>	<u>(\$ 4,501)</u>	<u>\$ 4,292,436</u>

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp.
Parent Company Only Statement of Cash Flows
From January 1 to December 31, 2022 and 2021

Unit: NT\$ Thousand

Code		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net income before tax of the current year	\$ 54,738	\$ 404,491
A20010	Income and expenses		
A20100	Depreciation	332,679	306,938
A20200	Amortization expenses	1,429	1,465
A20300	Expected credit impairment losses	8,932	2,986
A20900	Financial costs	44,109	39,055
A21200	Interest income	(530)	(942)
A22400	Share of profit or loss of subsidiaries and associates accounted for using equity method	(62,285)	11,572
A22500	Losses (gains) on disposal of property, plant and equipment	(43)	15,885
A23700	Loss on inventory valuation falling and obsolescence (gain on recovery)	18,721	(2,511)
A24100	Net foreign exchange gains (losses)	(5,195)	1,488
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	972	(773)
A31150	Accounts receivable	92,163	(91,598)
A31180	Other receivables	17,872	3,681
A31200	Inventories	26,425	(138,729)
A31230	Pre-payments	(2,803)	(3,758)
A31240	Other current assets	4,134	(2,821)
A32125	contract liability	1,627	2,061
A32130	Note payable	(48,195)	(43,645)
A32150	Accounts payable	(81,457)	6,016
A32180	Other payables	(87,352)	(4,787)
A32230	Other current liabilities	<u>37</u>	<u>148</u>
A33000	Cash from operations	315,978	506,222
A33100	Interest received	530	942
A33300	Interest paid	(43,359)	(39,172)
A33500	Income tax paid	(<u>84,995</u>)	(<u>92,897</u>)
AAAA	Net cash inflows from operating activities	<u>188,154</u>	<u>375,095</u>

(Continued on next page)

(Continued from previous page)

Code		2022	2021
	Cash flows from investing activities		
B01800	Acquisition of investment using the equity method	(\$ 2,500)	\$ -
B02700	Acquisition of property, plant and equipment	(61,939)	(146,552)
B02800	Proceeds from disposal of property, plant and equipment	43	-
B03800	Increase in guarantee deposits paid	(1,844)	-
B04500	Acquisition of intangible assets	(161)	(1,438)
B06500	Increase in other financial assets	(9,000)	-
B07100	Increase in pre-payments for equipment	(<u>48,338</u>)	(<u>166,025</u>)
BBBB	Net cash outflows from investing activities	(<u>123,739</u>)	(<u>314,015</u>)
	Cash flows from financing activities		
C00100	Increase in short-term bank loans	1,774,784	1,413,641
C00200	Decrease in short-term bank loans	(1,550,048)	(1,326,183)
C00500	Increase in short-term bills payable	49,600	29,942
C01600	Proceeds from long-term bank loans	-	300,000
C01700	Repayments of long-term bank loans	(90,000)	(342,975)
C04020	Repayment of the principal portion of leases	(15,233)	(14,964)
C04500	Cash dividends distributed	(<u>237,625</u>)	(<u>237,625</u>)
CCCC	Net cash outflows from financing activities	(<u>68,522</u>)	(<u>178,164</u>)
EEEE	Net decrease in cash	(4,107)	(117,084)
E00100	Beginning cash balance	<u>399,317</u>	<u>516,401</u>
E00200	Year-end cash balance	<u>\$ 395,210</u>	<u>\$ 399,317</u>

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp.
Notes to the Standalone Financial Statements
From January 1 to December 31, 2022 and 2021
(Unless otherwise specified, the amounts are in New Taiwan dollars and foreign currency in thousands.)

1. Company Profile

Mosa Industrial Corp. (hereinafter referred to as "the Company") was established in July 1988 in accordance with the provisions of the Company Act and related laws and regulations. The Company's main business is the research and development, design, manufacture and sales of various mini high pressure chargers and various high pressure containers.

The Company's shares were approved by Taipei Exchange in January 2017 and traded over the counter in the emerging stock market. The Company has been listed on Taiwan Stock Exchange from March 7, 2019.

On January 1, 2020 (the ex-dividend date), the Company divided and transferred the business (including assets and liabilities) of its industrial products division to Mosa Safety System Corp., which is 100% owned by the Company.

The standalone financial statements are expressed in New Taiwan Dollars, the functional currency of the Company.

2. Date and Procedure for Approval of Financial Statements

The standalone financial statements were approved by the Board of Directors on March 13, 2023.

3. Application of Newly Issued and Amended Standards and Interpretations

- (I) First-time application of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Standing Interpretations Committee (SIC) Interpretations (hereinafter referred to as "IFRSs") endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC") and issued into effect

The application of the revised IFRSs approved by the FSC and issued into effect will not result in significant changes in the accounting policies of the Company.

- (II) IFRSs approved by the FSC applicable in 2023

Issued / Amended / Revised Standards and Interpretations	Effective Date of IASB Issuance
Amendments to IAS 1 "Presentation of Financial Statements"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: This amendment applies to annual reporting periods beginning January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning January 1, 2023.

Note 3: The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred income taxes on temporary differences between leases and decommissioning obligations as of January 1, 2022.

As of the date of adoption of this standalone financial report, the Company assesses that the amendments to the above standards and interpretations will not have a material impact on its financial position and financial performance.

(III)	IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC Issued / Amended / Revised Standards and Interpretations	Effective Date of IASB Issuance (Note 1)
	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	TBD
	Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
	IFRS 17 "Insurance Contracts"	January 1, 2023
	Amendments to IFRS 17	January 1, 2023
	Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
	Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
	Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless otherwise stated, the above newly issued/amended/amended standards or interpretations shall be effective for annual reporting periods beginning after the respective dates.

Note 2: Sellers and lessees shall apply the amendments to IFRS 16 retroactively to sale-and-leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date of adoption of this standalone financial report, the Company is continuously evaluating the impact of the above-mentioned amendments to standards and interpretations on its financial position and financial performance, which will be disclosed when the evaluation is completed.

4. Summary of Significant Accounting Policies

(I) Compliance Statement

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

(II) Basis of Preparation

The standalone financial statements have been prepared on the historical cost basis, except for financial instruments carried at fair value.

Fair value measurements are classified into Levels 1 to 3 based on the observability and significance of the relevant inputs:

1. Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are available at the measurement date.
2. Level 2 inputs: Inputs other than those quoted in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs: Unobservable inputs of assets or liabilities.

In preparing its financial statements, the Company uses the equity method to account for its investment in subsidiaries. In order to make the profit or loss for the year, other comprehensive income and equity in the standalone financial statements consistent with the profit or loss for the year, other comprehensive income and equity attributable to the owners of the Company in the consolidated financial statements, certain accounting differences between the individual basis and the consolidated basis are adjusted for "investments accounted for using the equity method", "share of profit or loss of subsidiaries accounted for using the equity method" and related equity items.

(III) Criteria for distinguishing between current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash (excluding those restricted from being used to exchange or settle liabilities more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities due for settlement within 12 months of the balance sheet date, and
3. Liabilities whose maturity cannot be unconditionally deferred until at least 12 months after the balance sheet date.

Assets or liabilities other than those mentioned above are classified as non-current assets or non-current liabilities.

(IV) Foreign Currencies

When the Company prepares financial statements, transactions in currencies other than the Company's functional currency (foreign currency) are recorded in the functional currency based on the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Non-monetary items measured at fair value in foreign currencies are translated at the exchange rates prevailing on the date when the fair value was determined, and the resulting exchange differences are recorded in profit or loss for the period. However, if the fair value changes are recognized in other comprehensive income, the resulting exchange differences are included in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates prevailing on the dates of transactions and are not retranslated.

In preparing the standalone financial statements, the assets and liabilities of foreign operations (including subsidiaries that operate in countries or currencies different from those of the Company) are translated into New Taiwan Dollars using the exchange rate at each balance sheet date. Income and expense items are translated at the average exchange rate for the period, and the resulting exchange differences are included in other comprehensive income.

(V) Inventories

Inventory includes raw materials, work-in-process and finished goods. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the estimated selling price under normal circumstances less the estimated costs to be invested to completion and the estimated costs to complete the sale. The cost of inventories is calculated using the weighted-average method.

(VI) Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries and affiliates.

1. Investments in subsidiaries

A subsidiary is an entity over which the Company has control.

Under the equity method, investments are initially recognized at cost, and the carrying amount of the investment after acquisition increases or decreases as the Company's share of profits or losses of the subsidiaries and other comprehensive income or loss and profit is distributed. In addition, changes in the Company's other equities in subsidiaries are recognized in proportion to the Company's shareholding.

When a change in the Company's ownership equity in a subsidiary does not result in a loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses in a subsidiary equals or exceeds its equity in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term interests that are in substance a component of the Company's net investment in the subsidiary), the Company continues to recognize losses in proportion to its equity in the subsidiary.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries at the date of acquisition is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized. The excess of the Company's share of the net fair value of the

subsidiary's identifiable assets and liabilities over the cost of acquisition at the date of acquisition is recognized as current income.

The Company assesses impairment by considering the cash-generating units as a whole in the context of financial reporting and comparing their recoverable amounts with their carrying amounts. If the recoverable amount of an asset subsequently increases, the reversal of the impairment loss is recognized as a gain, provided that the carrying amount of the asset after the reversal of the impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, less amortization. Impairment losses attributable to goodwill are not reversed in subsequent periods.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Gains or losses resulting from counter-current and side-stream transactions with subsidiaries are recognized in the standalone financial statements only to the extent that they are not related to the Company's interest in the subsidiary.

2. Investment in Affiliated Companies

An affiliate is an entity over which the Company has significant influence, but which is not a subsidiary or a joint venture.

Under the equity method, investments in affiliated companies are initially recognized at cost, and the carrying amount of the investment after acquisition increases or decreases as the Company's share of profits or losses of the affiliated companies and other comprehensive income or loss and profit is distributed. In addition, changes in equity in affiliated companies are recognized on a proportional basis to shareholdings.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the affiliated companies at the date of acquisition is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized. The excess of the Company's share of the net fair value of the identifiable assets and liabilities of affiliated companies over the cost of acquisition is recognized in profit or loss for the period.

If the Company does not subscribe for new shares of an affiliate in proportion to its shareholding, resulting in a change in its shareholding and increase or decrease in the net equity of the investment, the increase or decrease is adjusted to capital surplus - changes in the net equity of the affiliate recognized under the equity method and the investment accounted for under the equity method. However, if the ownership interest in an affiliate is reduced as a result of not subscribing for or acquiring shares in proportion to the ownership interest, the amount recognized in other comprehensive income or loss related to that affiliate is reclassified to the proportionate reduction. The accounting treatment is based on the same basis as that required for the direct disposal of the related assets or liabilities by the affiliate. If the former adjustment should be debited to capital surplus and the balance of capital surplus from investments accounted for using the equity method is insufficient, the difference is debited to retained earnings.

The recognition of further losses ceases when the Company's share of losses in an affiliate equals or exceeds its interest in the affiliate (including the carrying amount of its investment in the affiliate under the equity method and other long-term interests that are in substance a component of the Company's net investment in the affiliate). The Company recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments on behalf of affiliates have been incurred.

In assessing impairment, the Company treats the entire carrying amount of the investment (including goodwill) as a single asset to compare the recoverable amount with the carrying amount and conducts an impairment test. The impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment, including goodwill. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Gains or losses from counter-current, downstream and side-stream transactions between the Company and its affiliates are recognized in the standalone financial statements only to the extent that they do not relate to the Company's interest in the affiliates.

(VII) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment under construction are recognized at cost less accumulated impairment losses. Costs include fees for professional services and borrowing costs that qualify for capitalization. Depreciation of these assets begins when they are completed and in their intended use and are classified in the appropriate category of property, plant and equipment.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

When property, plant and equipment are derecognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss.

(VIII) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both.

Owned investment properties are initially measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Investment properties are depreciated on a straight-line basis. Property, plant and equipment are recorded as investment properties at the carrying amount when they are closed for self-use.

When investment properties are derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(IX) Intangible Assets

Individually acquired intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives. The Company reviews the estimated useful lives, residual values and amortization methods at least at each year-end and defers the effect of changes in applicable accounting estimates. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

When intangible assets are derecognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss of the period.

(X) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets, investment properties and intangible assets may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Common assets are allocated to individual cash-generating units on a reasonably consistent basis.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the higher of the fair value less costs to sell and its value in use. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or

depreciation) that would have been determined if the impairment loss had not been recognized in prior years for that asset or cash-generating unit. Reversal of impairment loss is recognized in profit or loss.

(XI) Financial Instruments

Financial assets and financial liabilities are recognized in the standalone balance sheet when the Company becomes a party to the contractual provisions of the instrument.

In initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

Regular transactions of financial assets are recognized and derecognized using trade date accounting.

1. Types of Measurement

The types of financial assets held by the Company are financial assets carried at amortized cost.

Financial assets measured at amortized cost

The Company's investment financial assets are classified as financial assets carried at amortized cost if both of the following two conditions are met:

- (1) The financial assets are held under an operating model whose objective is to hold financial assets to collect contractual cash flows; and
- (2) The terms of the contracts give rise to cash flows at specified dates that are solely for the payment of principal and interest on the outstanding principal amount.

After the initial recognition of financial assets carried at amortized cost (including cash, notes receivable measured at amortized cost, accounts receivable, other receivables and refundable deposits), the total carrying amount of the financial assets is determined using the effective interest method less any impairment loss measured at amortized cost, and any foreign currency exchange gain or loss is recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except for the following two circumstances:

- (1) Interest income on credit-impaired financial assets acquired or created is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial assets.
- (2) For financial assets that are not acquired or initially impaired but subsequently become impaired, interest income should be calculated by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the impairment.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulty, default, a substantial likelihood that the debtor will declare bankruptcy or other financial reorganization, or the disappearance of an active market for the financial assets due to financial difficulties.

2. Impairment of financial assets

The Company assesses impairment losses on financial assets (including accounts receivable) measured at amortized cost on the basis of expected credit losses at each balance sheet date.

Accounts receivable are recognized as an allowance based on the expected credit losses for the duration. Other financial assets are first assessed to determine whether there is a significant increase in credit risk since initial recognition. If there is no significant increase, an allowance for loss is recognized on the basis of expected credit losses over 12 months, and if there is a significant increase, an allowance for loss is recognized on the basis of expected credit losses for the duration.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from possible defaults within 12 months after the reporting date of the instrument. The expected credit loss over the duration of the instrument represents the expected credit loss arising from all possible defaults over the expected duration of the instrument.

For internal credit risk management purposes, the Company determines, without regard to the collateral held, that a default on a financial asset has occurred in the following circumstances:

- (1) There is internal or external information indicating that the debtor is unlikely to be able to pay its debts.
- (2) More than 90 days past due, unless there is reasonable and supportable information indicating that a delayed basis of default is more appropriate.

All impairment losses on financial assets are reversed by reducing the carrying amount through an allowance account.

3. Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets lapse or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other companies.

The difference between the carrying amount of the financial asset and the consideration received is recognized in profit or loss when the financial asset is derecognized as a whole at amortized cost.

Financial Liabilities

1. Subsequent measurements

All financial liabilities are measured at amortized cost using the effective interest method.

2. Derecognition of financial liabilities

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

(XII) Revenue Recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

If the interval between the transfer of goods or services and the receipt of consideration is less than one year, the transaction price is not adjusted for significant financial components of the contract.

Revenue from the sale of merchandise is recognized as revenue and accounts receivable when the merchandise arrives at the customer's designated location, when it is shipped or when it is picked up, and when the customer obtains control over the merchandise.

The consideration received from the customer before the customer obtains control over the goods is recognized as a contract liability.

(XIII) Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Company as the lessor

A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset to the lessee. All other leases are classified as operating leases.

Under operating leases, lease payments, net of lease incentives, are recognized as income on a straight-line basis over the term of the relevant lease. The original direct cost incurred in acquiring an operating lease is added to the carrying amount of the subject asset and recognized as an expense on a straight-line basis over the lease term.

2. The Company as the lessee

Right-of-use assets and lease liabilities are recognized at the inception date of the lease, except for leases of low-value underlying assets to which the recognition exemption applies and short-term leases for which lease payments are recognized as expenses on a straight-line basis over the lease term.

Right-of-use assets are measured initially at cost (consisting of the original measurement amount of the lease liability, lease payments made before the commencement date of the lease less lease incentives received, original direct cost and estimated cost of restoration of the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately in the standalone balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of the lease payments (which comprise both fixed payments and material fixed payments). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If that rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If there is a change in future lease payments due to changes in the lease period or in the index or rate used to determine lease payments, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly, except that if the carrying amount of the right-of-use asset is reduced to zero, the remaining re-measurement amount is recognized in profit or loss. For lease modifications that are not treated as separate leases, the remeasurement of the lease liability due to a reduction in the scope of the lease is a reduction of the right-of-use asset, and the gain or loss on partial or full termination of the lease is recognized; the re-measurement of the lease liability due to other modifications is an adjustment to the right-of-use asset. Lease liabilities are presented separately in the standalone balance sheet.

(XIV) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are included as part of the cost of the asset until substantially all of the activities necessary to bring the asset to its intended use or sale condition have been completed. Other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XV) Government Grants

Government grants are recognized only when it is reasonably certain that the Company will comply with the conditions attached to the government grant and that the grant will be received.

Government grants related to revenues are recognized in other revenues on a systematic basis over the period in which the related costs for which they are intended to compensate are recognized as expenses by the Company.

Government grants are recognized in profit or loss in the period in which they become collectible if they are intended to compensate for expenses or losses already incurred or to provide immediate financial support to the Company and have no related costs in the future.

(XVI) Employee Benefits

1. Short-Term Employee Benefits

Short-term employee benefit-related liabilities are measured at the non-discounted amount expected to be paid in exchange for employee services.

2. Post-Employment Benefits

The defined contribution pension plan is an expense that recognizes the amount of pension benefits to be contributed during the employees' service period.

(XVII) Share-Based Payment Agreement

Employee stock options are recognized as expense on a straight-line basis over the vesting period based on the fair value of the equity instruments at the date of grant and the best estimate of the number of options expected to be vested, with a simultaneous adjustment to capital surplus - employee stock options. The Company recognizes the full cost on the date of grant if it is immediately vested on the date of grant. The date of grant is the date on which the Company recognizes the number of employee subscriptions for cash capital increase.

The Company revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(XVIII) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

Income tax on undistributed earnings calculated in accordance with the ROC Income Tax Act is recognized in the year of shareholders' meeting resolution.

Adjustments to prior years' income tax payable are included in the current period's income tax.

2. Deferred income tax

Deferred income tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the tax bases used to compute taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which income tax credits can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax assets will be available to allow recovery of all or part of the asset. Deferred income tax assets that were not recognized as such are reviewed at each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, which are based on tax rates and tax laws that have been legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences of the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss, except for current and deferred income taxes related to items recognized in other comprehensive income or directly in equity, which are recognized in other comprehensive income or directly in equity, respectively.

5. Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty

In adopting accounting policies, the Company's management is required to make judgments, estimates and assumptions based on historical experience and other relevant factors where relevant information is not readily available from other sources. Actual results may differ from estimates.

Management will continue to review estimates and underlying assumptions. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future period.

6. Cash

	December 31, 2022	December 31, 2021
Cash on hand and working capital	\$ 708	\$ 722
Bank demand deposits	403,502	398,595
	404,210	399,317
Less: Other financial assets - current	(9,000)	-
	<u>\$ 395,210</u>	<u>\$ 399,317</u>

Other financial assets represent restricted bank deposits; see Note 25.

7. Notes and accounts receivable - non-related parties

	December 31, 2022	December 31, 2021
<u>Notes receivable - non related parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 1,201	\$ 2,173
Less: Allowance for losses	-	-
	<u>\$ 1,201</u>	<u>\$ 2,173</u>
<u>Accounts receivable - non related parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 308,497	\$ 395,073
Less: Allowance for losses	(15,538)	(6,606)
	<u>\$ 292,959</u>	<u>\$ 388,467</u>

(I) Notes receivable

The ages of the Company's notes receivable were as follows:

	December 31, 2022	December 31, 2021
Not overdue	\$ 1,201	\$ 2,173
Overdue	-	-
	<u>\$ 1,201</u>	<u>\$ 2,173</u>

The above is an aging analysis based on the account date.

(II) Accounts receivable

The average credit period of the Company for merchandise sales is approximately 30 to 180 days, and the accounts receivable are not interest-bearing. The Company's policy is to transact only with creditworthy counterparties and to rate major customers using publicly available financial information and historical transaction records. To mitigate credit risk, the Company follows credit management practices in which management assigns a dedicated team to determine credit limits, approve credit and other monitoring procedures to ensure that appropriate actions are taken to collect overdue accounts receivable. In addition, the Company reviews the recoverable amounts of accounts receivable on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible accounts receivable. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly reduced.

The Company recognizes an allowance for losses on accounts receivable on the basis of expected credit losses over the duration of the receivables. Expected credit losses over the duration of the contract are based on the customer's past default history and current financial condition, the economic situation of the industry, as well as the GDP forecast and industry outlook. Since the Company's credit loss history shows no significant difference in loss patterns among different customer groups, the expected credit loss rate is not further differentiated among customer groups and is only based on the number of days past due on accounts receivable.

If there is evidence that the counter-party is in serious financial difficulty and the Company cannot reasonably expect to recover the amount, the Company directly eliminates the related accounts receivable but continues the recovery activities and recognizes the amount recovered in profit or loss as a result of the recovery.

The Company measured the allowance for losses on accounts receivable as follows:

	Not overdue	1-180 days past due	181-365 days past due	Over 366 days past due	Total
<u>December 31, 2022</u>					
Expected credit loss rate	0.01%	2%	5%-60%	100%	
Total carrying amount	\$ 88,079	\$ 133,051	\$ 82,958	\$ 4,409	\$ 308,497
Allowance for losses (expected credit losses over the duration)	(9)	(2,661)	(8,459)	(4,409)	(15,538)
Amortized cost	<u>\$ 88,070</u>	<u>\$ 130,390</u>	<u>\$ 74,499</u>	<u>\$ -</u>	<u>\$ 292,959</u>
<u>December 31, 2021</u>					
Expected credit loss rate	0.01%	2%	5%-60%	100%	
Total carrying amount	\$ 301,688	\$ 88,581	\$ -	\$ 4,804	\$ 395,073
Allowance for losses (expected credit losses over the duration)	(30)	(1,772)	-	(4,804)	(6,606)
Amortized cost	<u>\$ 301,658</u>	<u>\$ 86,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,467</u>

The changes in the allowance for losses on accounts receivable were as follows:

	2022	2021
Balance at the beginning of the year	\$ 6,606	\$ 3,620
Impairment loss recognized for the year	<u>8,932</u>	<u>2,986</u>
Balance at the end of the year	<u>\$ 15,538</u>	<u>\$ 6,606</u>

8. Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 35,943	\$ 7,309
Work in process	50,438	32,102
Raw materials	104,390	196,506
	<u>\$ 190,771</u>	<u>\$ 235,917</u>

Costs of goods sold are as follows:

	2022	2021
Cost of inventories sold	\$ 1,039,726	\$ 1,532,088
Loss on inventory valuation falling and obsolescence (gain on recovery)	18,721	(2,511)
Unallocated manufacturing costs	41,257	-
Others	-	1,263
	<u>\$ 1,099,704</u>	<u>\$ 1,530,840</u>

The rebound in net realizable value of inventories was due to the de-stocking of inventories and improvement in the slow-moving situation.

9. Investments accounted for using the equity method

	December 31, 2022	December 31, 2021
Investments in subsidiaries	\$ 1,317,700	\$ 1,254,177
Investment in Affiliated Companies	1,318	-
	<u>\$ 1,319,018</u>	<u>\$ 1,254,177</u>

(I) Investments in subsidiaries

	December 31, 2022		December 31, 2021	
Name of investee company	Amount	%	Amount	%
Mosa Safety System Corp. (Mosa)	<u>\$ 1,317,700</u>	100	<u>\$ 1,254,177</u>	100

For the nature of business of the above subsidiaries, their principal places of business and the nations of registration of the companies, refer to Schedule 5.

(II) Investment in Affiliated Companies

	December 31, 2022	December 31, 2021
Individually insignificant affiliates	<u>\$ 1,318</u>	<u>\$ -</u>

The Consolidated Entity diversified its operations and invested NT\$2,500 thousand in Maoqiang Technology Co., Ltd. (Maoqiang) in March 2022, holding 25% of its shares.

For the nature of business of the above affiliates, their principal places of business and the nations of registration of the companies, refer to Schedule 5.

10. Property, Plant and Equipment

2022	Balance at the beginning of the year	Increase during the year	Decrease during the year	Reclassification	Balance at the end of the year
<u>Cost</u>					
Buildings	\$ 2,001,683	\$ 170	\$ -	\$ -	\$ 2,001,853
Machinery and equipment	3,098,059	36,230	-	126,792	3,261,081
Transportation equipment	6,855	-	(2,221)	-	4,634
Office equipment	24,417	195	-	-	24,612
Other equipment	<u>894,966</u>	<u>25,344</u>	<u>-</u>	<u>47,126</u>	<u>967,436</u>
Total cost	<u>6,025,980</u>	<u>\$ 61,939</u>	<u>(\$ 2,221)</u>	<u>\$ 173,918</u>	<u>6,259,616</u>
<u>Accumulated depreciation</u>					
Buildings	371,695	\$ 40,417	\$ -	\$ -	412,112
Machinery and equipment	1,507,930	187,729	-	-	1,695,659
Transportation equipment	5,521	420	(2,221)	-	3,720
Office equipment	17,650	1,677	-	-	19,327
Other equipment	<u>539,876</u>	<u>63,639</u>	<u>-</u>	<u>-</u>	<u>603,515</u>
Total accumulated depreciation	<u>2,442,672</u>	<u>\$ 293,882</u>	<u>(\$ 2,221)</u>	<u>\$ -</u>	<u>2,734,333</u>
	<u>\$ 3,583,308</u>				<u>\$ 3,525,283</u>
<u>2021</u>					
<u>Cost</u>					
Buildings	\$ 2,001,683	\$ -	\$ -	\$ -	\$ 2,001,683
Machinery and equipment	2,997,006	102,623	(72,884)	71,314	3,098,059
Transportation equipment	6,855	-	-	-	6,855
Office equipment	22,769	1,648	-	-	24,417
Other equipment	<u>844,952</u>	<u>42,281</u>	<u>(236)</u>	<u>7,969</u>	<u>894,966</u>
Total cost	<u>5,873,265</u>	<u>\$ 146,552</u>	<u>(\$ 73,120)</u>	<u>\$ 79,283</u>	<u>6,025,980</u>
<u>Accumulated depreciation</u>					
Buildings	331,251	\$ 40,444	\$ -	\$ -	371,695
Machinery and equipment	1,398,362	166,598	(57,030)	-	1,507,930
Transportation equipment	5,101	420	-	-	5,521
Office equipment	16,177	1,473	-	-	17,650
Other equipment	<u>480,875</u>	<u>59,206</u>	<u>(205)</u>	<u>-</u>	<u>539,876</u>
Total accumulated depreciation	<u>2,231,766</u>	<u>\$ 268,141</u>	<u>(\$ 57,235)</u>	<u>\$ -</u>	<u>2,442,672</u>
	<u>\$ 3,641,499</u>				<u>\$ 3,583,308</u>

Depreciation expense is recognized on a straight-line basis over the useful lives specified below:

Buildings	
Main building	20 to 50 years
Interior decoration	10 to 15 years
Others	5 to 20 years
Machinery and equipment	3 to 20 years
Transportation equipment	5 to 8 years
Office equipment	5 to 10 years
Other equipment	2 to 20 years

For the amount of property, plant and equipment pledged as collaterals for loans, see Note 25.

11. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-to-use assets		
Land	<u>\$ 1,059,629</u>	<u>\$ 1,082,706</u>
	<u>2022</u>	<u>2021</u>
Depreciation expense on right-of-use assets		
Land	<u>\$ 23,077</u>	<u>\$ 23,077</u>

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 15,507</u>	<u>\$ 15,233</u>
Non-current	<u>\$ 1,077,100</u>	<u>\$ 1,092,607</u>

The discount rates for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.78%	1.78%

(III) Important tenant activities and terms

The Company's land for manufacturing and offices is leased for a period of 16 to 20 years. At the end of the lease term, the Company has no preferential purchase rights to the leasehold land.

(IV) Other lease information

	<u>2022</u>	<u>2021</u>
Short-term lease payments	<u>\$ 281</u>	<u>\$ 280</u>
Total cash outflow from leases	<u>\$ 35,106</u>	<u>\$ 35,105</u>

The Company has chosen to apply the recognition exemption to office equipment leases that qualify as short-term leases and does not recognize the related right-of-use assets and lease liabilities for such leases.

12. Investment properties

<u>2022</u>	<u>Balance at the beginning of the year</u>	<u>Increase during the year</u>	<u>Reclassification n</u>	<u>Balance at the end of the year</u>
<u>Cost</u>				
Buildings	\$ 785,508	\$ -	\$ -	\$ 785,508
<u>Accumulated depreciation</u>				
Buildings	108,188	\$ 15,720	\$ -	123,908
Net amount	<u>\$ 677,320</u>			<u>\$ 661,600</u>
<u>2021</u>				
<u>Cost</u>				
Buildings	\$ 785,508	\$ -	\$ -	\$ 785,508
<u>Accumulated depreciation</u>				
Buildings	92,468	\$ 15,720	\$ -	108,188
Net amount	<u>\$ 693,040</u>			<u>\$ 677,320</u>

The lease term for investment properties is six years, with no option to extend the lease term. The lessee does not have a preferential right to acquire investment properties at the end of the lease term.

The total future lease payments to be received for investment properties leased under operating leases are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
1st year	\$ 15,445	\$ 15,445
2nd year	15,445	15,445
3rd year	15,445	15,445
4th year	-	15,445
	<u>\$ 46,335</u>	<u>\$ 61,780</u>

Investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings	50 years
-----------	----------

The fair value of investment properties has not been evaluated by independent evaluators and is only measured by the Company's management using Level 3 inputs using valuation models commonly used by market participants. The valuation was based on market evidence of similar real estate transaction prices, and the fair values obtained from the valuation were NT\$921,994 thousand and NT\$877,649 thousand as of December 31, 2022 and 2021, respectively.

13. Intangible Assets

<u>2022</u>	<u>Trademark Rights</u>	<u>Patents</u>	<u>Computer Software</u>	<u>Total</u>
<u>Cost</u>				
Balance at the beginning of the year	\$ 3,867	\$ 2,534	\$ 7,768	\$ 14,169
Increase during the year	<u>-</u>	<u>-</u>	<u>161</u>	<u>161</u>
Balance at the end of the year	<u>3,867</u>	<u>2,534</u>	<u>7,929</u>	<u>14,330</u>
<u>Accumulated Amortization</u>				
Balance at the beginning of the year	1,805	1,170	5,543	8,518
Amortization expenses	<u>367</u>	<u>112</u>	<u>950</u>	<u>1,429</u>
Balance at the end of the year	<u>2,172</u>	<u>1,282</u>	<u>6,493</u>	<u>9,947</u>
Net amount at the end of the year	<u>\$ 1,695</u>	<u>\$ 1,252</u>	<u>\$ 1,436</u>	<u>\$ 4,383</u>
<u>2021</u>				
<u>Cost</u>				
Balance at the beginning of the year	\$ 3,778	\$ 2,077	\$ 6,876	\$ 12,731
Increase during the year	<u>89</u>	<u>457</u>	<u>892</u>	<u>1,438</u>
Balance at the end of the year	<u>3,867</u>	<u>2,534</u>	<u>7,768</u>	<u>14,169</u>
<u>Accumulated Amortization</u>				
Balance at the beginning of the year	1,396	1,013	4,644	7,053
Amortization expenses	<u>409</u>	<u>157</u>	<u>899</u>	<u>1,465</u>
Balance at the end of the year	<u>1,805</u>	<u>1,170</u>	<u>5,543</u>	<u>8,518</u>
Net amount at the end of the year	<u>\$ 2,062</u>	<u>\$ 1,364</u>	<u>\$ 2,225</u>	<u>\$ 5,651</u>

Amortization expense is recognized on a straight-line basis over the number of useful years as follows:

Trademark Rights	3 to 15 years
Patents	9 to 20 years
Computer Software	3 to 8 years

14. Borrowings

(I) Short-term bank loans

	December 31, 2022	December 31, 2021
<u>Unsecured Borrowing</u>		
Credit borrowing	\$ 500,000	\$ 84,860
Letter of credit borrowing	90,277	280,200
	<u>\$ 590,277</u>	<u>\$ 365,060</u>
<u>Annual interest rate (%)</u>		
Credit borrowing	1.450-1.89	0.899-1.050
Letter of credit borrowing	1.460-1.945	1.000-1.350

(II) Short-term bills payable

	December 31, 2022	December 31, 2021
Commercial papers payable	\$ 80,000	\$ 30,000
Less: discount on short-term bills payable	(162)	(58)
	<u>\$ 79,838</u>	<u>\$ 29,942</u>
<u>Annual interest rate (%)</u>	1.8899-1.938	1.138

(III) Long-term bank loans

	December 31, 2022	December 31, 2021
Guaranteed borrowing - due between March 2026 and November 2032	\$ 1,295,000	\$ 1,365,000
Credit borrowing - due in December 2024	60,000	80,000
	1,355,000	1,445,000
Less: parts recognized as due within 1 year	(130,000)	-
	<u>\$ 1,225,000</u>	<u>\$ 1,445,000</u>
<u>Annual interest rate (%)</u>	1.751-1.951	1.237-1.260

The interest rates on long-term bank loans are adjusted on a floating basis in accordance with the terms of the loan agreements.

The long-term guaranteed loans are secured by the assets of the Company; see Note 25.

15. Other payables

	December 31, 2022	December 31, 2021
Payables for equipment and construction	\$ 34,480	\$ 62,237
Salaries and bonuses payable	29,471	34,737
Compensation payable to employees and directors	19,062	39,835
Processing fees payable	3,155	5,121
Others	82,530	113,630
	<u>\$ 168,698</u>	<u>\$ 255,560</u>

16. Post-Employment Benefits

The Company's pension plan under the Labor Pension Act is a government-administered defined contribution pension plan that contributes 6% of employees' monthly salaries to the individual accounts under the Bureau of Labor Insurance.

17. Equity

(I) Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (in thousands)	<u>250,000</u>	<u>250,000</u>
Authorized share capital	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>182,788</u>	<u>182,788</u>
Issued share capital	<u>\$ 1,827,883</u>	<u>\$ 1,827,883</u>

The issued common stock has a par value of NT\$10 per share and each share has the right to receive dividends in the form of one vote.

On November 7, 2022, the board of directors resolved to issue 20,000 thousand new shares with a par value of \$10 per share in cash to meet the repayment of bank loans.

(II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to make up losses, pay cash or capitalize (Note)</u>		
Stock issuance premium	\$ 1,763,093	\$ 1,763,093
Transfer from employee stock option exercise	76,082	76,082
Expired employee stock options	<u>15,505</u>	<u>15,505</u>
	<u>\$ 1,854,680</u>	<u>\$ 1,854,680</u>

Note: Such capital surplus may be used to offset losses or, when the Company has no losses, to distribute cash or to capitalize capital, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, the earnings distribution policy provides that in the event of surplus earnings after the closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated for. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserves. However, in the event that the accumulated legal reserves are equivalent to or exceed the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. If there are remainder earnings, the Board of Directors shall draft a earnings distribution proposal regarding the remainder of the earnings plus accumulated undistributed earnings. If such distribution involves issuance of new shares, such distribution may be made after being approved by the shareholders' meeting. When the Company intends to distribute dividends, bonus, or part or all of legal reserves and capital reserves in cash, an approval must be obtained from the Board of Directors by a majority vote at a Board of Directors meeting attended by two thirds or more of all directors, and a report must be made at a shareholders' meeting.

The Company's dividend policy considers future capital needs, financial structure, and earnings, and stipulates that no less than 50% of the distributable earnings be allocated as shareholder dividends. However, if the distributable earnings for the current year are lower than 20% of the paid-in capital, such distribution may be exempted. Dividends to shareholders may be distributed in cash or shares, but the amount of cash dividends shall not be less than 10% of total dividends distributed in the current year. However, if the cash

dividend is less than NT\$1 per share, dividends may be distributed solely in shares.

The legal reserve should be appropriated until the remaining balance reaches the total paid-in capital. The legal reserve may be used to cover deficits. If the Company has no deficit, the excess of legal reserve over 25% of the paid-in capital may be distributed in cash in addition to capitalization.

The distribution of the Company's earnings for 2021 and 2020 is as follows:

	2021	2020
Legal reserves	\$ 31,980	\$ 29,802
Special reserves (reversal)	28	(68)
Cash dividends	237,625	237,625
Cash dividends per share (NT\$)	1.3	1.3

The above cash dividends were resolved by the board of directors in March 2022 and 2021, and the remaining distributions for fiscal 2021 and 2020 were approved by the shareholders at their regular meetings in May 2022 and July 2021.

The appropriation of the Company's 2022 earnings is subject to the resolution of the proposed board of directors' meeting in May 2023 and the shareholders' meeting scheduled to be held in June 2023.

18. Net income of the current year

(I) Other revenues

	2022	2021
Rent revenue	\$ 16,575	\$ 16,587
Subsidy revenue	2,039	4,953
Others	35,319	37,659
	<u>\$ 53,933</u>	<u>\$ 59,199</u>

(II) Other gains and losses

	2022	2021
Net foreign currency exchange gains (losses)	\$ 22,690	(\$ 19,120)
Gains (losses) from disposal of property plant and equipment	43	(15,885)
Others	(47,127)	(50,020)
	<u>(\$ 24,394)</u>	<u>(\$ 85,025)</u>

(III) Financial costs

	2022	2021
Interest on bank loans	\$ 26,571	\$ 21,330
Interest on lease liabilities	19,591	19,861
	46,162	41,191
Less: Amount included in cost of qualifying assets	(2,053)	(2,136)
	<u>\$ 44,109</u>	<u>\$ 39,055</u>
Amount of interest capitalized	\$ 2,053	\$ 2,136
Rate of interest capitalization (%)	1.258-1.817	1.258-1.283

(IV) Depreciation and amortization

	2022	2021
Property, Plant and Equipment	\$ 293,882	\$ 268,141
Right-of-use assets	23,077	23,077
Investment properties	15,720	15,720
Intangible Assets	<u>1,429</u>	<u>1,465</u>
	<u>\$ 334,108</u>	<u>\$ 308,403</u>
Depreciation expenses summarized by function		
Operating costs	\$ 299,744	\$ 274,222
Operating expenses	17,215	16,996
Non-operating expenses	<u>15,720</u>	<u>15,720</u>
	<u>\$ 332,679</u>	<u>\$ 306,938</u>
Amortization expenses summarized by function		
Operating expenses	<u>\$ 1,429</u>	<u>\$ 1,465</u>

(V) Employee Benefit Expenses

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Salary expenses	\$ 111,967	\$ 37,320	\$ 149,287	\$ 148,738	\$ 48,013	\$ 196,751
Labor and health insurance expenses	12,027	3,824	15,851	15,308	4,149	19,457
Pension expenses	4,159	1,687	5,846	5,220	1,846	7,066
Directors' remuneration	-	5,450	5,450	-	11,317	11,317
Other Employee Benefits	<u>9,291</u>	<u>3,880</u>	<u>13,171</u>	<u>9,331</u>	<u>4,973</u>	<u>14,304</u>
Total Employee Benefit Expenses	<u>\$ 137,444</u>	<u>\$ 52,161</u>	<u>\$ 189,605</u>	<u>\$ 178,597</u>	<u>\$ 70,298</u>	<u>\$ 248,895</u>

The number of employees of the Company for the years 2022 and 2021 is 305 and 341, respectively, of which the number of directors who do not concurrently serve as employees is 5.

The average employee benefit expenses for 2022 and 2021 were NT\$614 thousand and NT\$707 thousand, respectively; the average employee salary expenses for 2022 and 2021 were NT\$498 thousand and NT\$586 thousand, respectively, and the change in the average employee salary expenses was 15%.

The remuneration of directors, managers and employees is determined in accordance with the "Regulations Governing Salaries", "Regulations Governing the Remuneration of Directors and Managers" and the Company's Articles of Incorporation. The remuneration of managers includes salaries, bonuses and employees' remuneration, and is based on the salary level in the industry, the scope of authority and responsibility within the Company, and the degree of contribution to the Company's operating objectives, as well as the scale of operation and profitability of the Company. Employees are paid according to their knowledge, experience, skills, potential development, ease of work, level of responsibility and performance, and bonuses and employee compensation based on the achievement of goals and the Company's operations. The remuneration of the Company's directors and managers is proposed by the Remuneration Committee and approved by the Board of Directors.

(VI) Remuneration for employees and directors

According to the Company's Articles of Incorporation, if the Company has profits at the end of year, it shall distribute 5%~15% of such profits as employee compensation, which may be paid in the form of stock or cash subject to resolution made by the Board of Directors. Employees eligible for such distribution may include employees of a subordinate company who meet certain criteria. Meanwhile, the Company may distribute no more than 3% of said profits as the compensation to directors subject to the resolution by the Board of

Directors. Remuneration for employees and directors for the years 2022 and 2021 were resolved by the Board of Directors in March 2023 and 2022, respectively, as follows:

Cash	2022		2021	
	Estimated percentage	Amount	Estimated percentage	Amount
Employees' remuneration	5%	\$ 2,927	5%	\$ 21,631
Directors' remuneration	1.5%	878	1.5%	6,489

If there is any change in the annual standalone financial statements after the date of adoption, the change in accounting estimate will be treated as an adjustment in the following year.

There was no difference between the actual amount of employee compensation and director compensation allotted in 2021 and 2020 and the amount recognized in the standalone financial statements for 2021 and 2020.

Refer to the "Market Observation Post System" of the Taiwan Stock Exchange for information on the remuneration of employees and directors resolved by the board of directors of the Company.

19. Income Tax

(I) Income tax recognized as profit or loss

The major components of income tax expense (benefits) are as follows:

	2022	2021
Current income tax		
Incurred during the year	\$ 2,372	\$ 85,630
Additional surtax on undistributed retained earnings	2,509	1,533
Adjustments for prior years	(4,184)	-
	697	87,163
Deferred income tax		
Incurred during the year	(1,761)	(2,477)
Income tax expense recognized as profit or loss		
as profit or loss	(\$ 1,064)	\$ 84,686

The reconciliation of accounting income to income tax expense (benefit) is as follows:

	2022	2021
Income tax on net income before tax at statutory rate	\$ 10,948	\$ 80,898
Non-deductible expenses for tax purposes	668	2,819
Tax-exempt income	(12,457)	-
Additional surtax on undistributed retained earnings	2,509	1,533
Unrecognized deductible temporary differences	1,872	(251)
Credit for investments offset during the year	(420)	(313)
Adjustments to current income tax expenses in prior years	(4,184)	-
Income tax expense recognized as profit or loss		
as profit or loss	(\$ 1,064)	\$ 84,686

(II) Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

2022	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
<u>Deferred income tax assets</u>			
Temporary differences			
Loss on decline in value of inventories	\$ 1,525	\$ 1,872	\$ 3,397
Allowance for losses	527	1,961	2,488
Unrealized exchange loss	535	(535)	-
Others	1,198	(102)	1,096
	<u>\$ 3,785</u>	<u>\$ 3,196</u>	<u>\$ 6,981</u>
	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
2022			
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gain	\$ -	\$ 1,435	\$ 1,435
2021			
<u>Deferred income tax assets</u>			
Temporary differences			
Loss on decline in value of inventories	\$ 1,776	(\$ 251)	\$ 1,525
Allowance for losses	110	417	527
Unrealized exchange loss	-	535	535
Others	1,095	103	1,198
	<u>\$ 2,981</u>	<u>\$ 804</u>	<u>\$ 3,785</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gain	\$ 1,673	(\$ 1,673)	\$ -

(III) Deductible temporary differences for deferred income tax assets not recognized in the standalone balance sheet

As of December 31, 2022 and 2021, the total amount of deductible temporary differences for unrecognized deferred income tax assets was NT\$16,986 thousand and NT\$7,626 thousand, respectively.

(IV) Income tax approval status

The income tax returns of the Company have been examined by the tax authorities for the years ended 2020.

20. Earnings per share

	Net income attributable to owners of the company	Number of shares (thousand shares)	Earnings per share (NTD)
<u>2022</u>			
Basic earnings per share			
Net income attributable to owners of the company	\$ 55,802	182,788	<u>\$ 0.31</u>
Effect of potential common stock with dilution effect			
Employee compensation and stock options	<u>-</u>	<u>229</u>	
Diluted earnings per share			
Net income attributable to owners of the company plus the effect of potential common shares	<u>\$ 55,802</u>	<u>183,017</u>	<u>\$ 0.30</u>
	Net income attributable to owners of the company	Number of shares (thousand shares)	Earnings per share (NTD)
<u>2021</u>			
Basic earnings per share			
Net income attributable to owners of the company	\$ 319,805	182,788	<u>\$ 1.75</u>
Effect of potential common stock with dilution effect			
Employee compensation and stock options	<u>-</u>	<u>621</u>	
Diluted earnings per share			
Net income attributable to owners of the company plus the effect of potential common shares	<u>\$ 319,805</u>	<u>183,409</u>	<u>\$ 1.74</u>

If the Company may choose to pay employees in stock or cash, the calculation of diluted earnings per share assumes that employee compensation will be paid in stock and includes potential common shares that have a dilutive effect in the weighted-average number of shares outstanding, in order to calculate diluted earnings per share. The dilutive effect of these potential common shares also continues to be considered in the calculation of diluted earnings per share before the number of shares awarded to employees is resolved in the following year.

21. Share-Based Payment Agreement

In June 2016, the Company granted 7,500 units of employee stock options for 1,000 shares of common stock for each unit; the grant was made to employees of the Company who met certain criteria. The duration of the stock options is 5 years, and the certificate holders may exercise a certain percentage of the stock options granted after 2 years from the date of issuance. The exercise price of the stock options is NT\$20 per share; if there is a change in the shares of the Company's common stock after the stock options are issued, the exercise price of the stock options shall be adjusted according to the prescribed formula.

Information on the Company's issued employee stock options is as follows:

<u>Employee Stock Options</u>	2021	
	Unit (Thousand)	Weighted Average Exercise Price
Outstanding at the beginning of the year	210	\$ 15.8
Granted during the year	-	-
Given up during the year	(210)	15.8
Exercised during the year	-	-
Outstanding at the end of the year	-	-
Exercisable at the end of the year	-	-

No employees of the Company executed conversion of employee stock options in 2021.

22. Capital Risk Management

The Company conducts capital management to ensure that the Group's businesses are able to continue as a going concern by optimizing debt and equity balances in order to maximize shareholder returns. The overall strategy of the Company remains unchanged.

The capital structure of the Company consists of net debt (i.e., borrowings less cash) and equity (i.e., capital stock, capital surplus, retained earnings and other equity items).

Key management of the Company reviews the capital structure on a semi-annual basis, which includes consideration of the cost of various types of capital and related risks. The Company balances its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new debt or paying off old debt, as recommended by key management.

23. Financial Instruments

(I) Types of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial Assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 709,673	\$ 817,288
<u>Financial Liabilities</u>		
Measured at amortized cost (Note 2)	2,246,699	2,268,628

Note 1: The balance includes financial assets measured at amortized cost, such as cash, notes receivable, accounts receivable, other receivables, other financial assets - current and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost, including short-term bank loans, short-term bills payable, notes payable, accounts payable, other payables, long-term bank loans (including those due within one year) and guarantee deposits.

(II) Financial risk management objectives and policies

The Company's major financial instruments include accounts receivable, accounts payable, bank loans and lease liabilities. The Company's financial management department provides services to each business unit, coordinates access to domestic and international financial markets, and monitors and manages financial risks associated with the Company's operations through internal risk reporting that analyzes risk exposure based on risk level and breadth. Such risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Company mitigates the impact of these risks by maintaining a flexible portfolio of financial instruments and limited derivative financial instruments to hedge against risk. The use of derivative financial instruments is governed by a policy approved by the Company's

board of directors and is reviewed on an ongoing basis by a system of internal controls for compliance with the policy and the amount of risk exposure. The Company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risks

The main financial risks to which the Company is exposed as a result of the Company's operating activities are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates. The Company hedges a portion of its net foreign-currency assets or liabilities from fluctuations in foreign exchange rates or interest rates by maintaining a flexible portfolio of financial instruments and engaging in limited transactions in derivative financial instruments.

There is no change in the Company's exposure to market risk of financial instruments and the way it manages and measures such exposure. A description of the key financial risks is as follows:

(1) Exchange rate risk

The Company engages in foreign currency-denominated sales and purchase transactions, and therefore is exposed to exchange rate fluctuations.

The carrying amounts of the Company's major monetary assets and liabilities denominated in non-functional currencies as of the balance sheet date are shown in Note 27.

Sensitivity Analysis

The Company is primarily affected by fluctuations in the USD, RMB and EUR exchange rates.

The following table details the sensitivity analysis of the Company when the exchange rate of the New Taiwan Dollar (functional currency) increases and decreases by 1% against each relevant foreign currency. The positive numbers in the table below represent the increase in net income or equity before income taxes that would result from a 1% depreciation of the New Taiwan Dollar against the respective currencies. If the New Taiwan Dollar depreciates by 1% against the relevant currency, the effect on net income or equity before tax will be the same negative amount.

	Currency effects on profit or loss	
	2022	2021
USD	\$ 1,934	\$ 2,351
RMB	388	331
EUR	1,151	1,003

Management believes that the sensitivity analysis is not yet representative of the inherent risk of exchange rate risk because foreign currency exposures at the balance sheet date do not reflect period-over-period exposures.

(2) Interest rate risk

The Company generates interest rate risk primarily through deposits and loans with fixed and variable interest rates. The carrying amounts of financial assets and financial liabilities exposed to interest rate risk as of the balance sheet date were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
Financial Assets	\$ 9,000	\$ -
Financial Liabilities	309,838	366,048
Lease liabilities	1,092,607	1,107,840
Cash flow interest rate risk		
Financial Assets	394,502	398,595
Financial Liabilities	1,715,277	1,473,954

Sensitivity Analysis

For the Company's financial assets and liabilities with floating interest rates, if the interest rate changes by 0.25%, the pre-tax income will change by NT\$3,302 thousand and NT\$2,688 thousand in 2022 and 2021, respectively, with other conditions remaining unchanged.

2. Credit risk

Credit risk refers to the risk of financial loss resulting from the counter-party's default on contractual obligations. As of the balance sheet date, the Company's maximum exposure to credit risk (without considering collaterals or other credit enhancement instruments, and the maximum irrevocable exposure) that could result in financial losses due to the failure of counter-parties to perform their obligations and the provision of financial guarantees by the Company is mainly from the carrying amount of financial assets recognized in the Consolidated Balance Sheet.

The Company's credit risk is mainly concentrated in its top three clients. As of December 31, 2022 and 2021, the ratio of total accounts receivable from the aforementioned customers was 51% and 56%, respectively.

3. Liquidity risk

The Company manages and maintains a sufficient portion of cash to support the operations and mitigate the impact of cash flow fluctuations. The Company's management monitors the use of bank financing lines and ensures compliance with the terms of the loan agreements.

The Company has established an appropriate liquidity risk management framework to address short-, medium- and long-term fundraising and liquidity management needs. The Company manages liquidity risk by maintaining adequate banking facilities, borrowing commitments, monitoring projected and actual cash flows on an ongoing basis, and planning to settle liabilities with financial assets with close maturity dates.

(1) Liquidity and interest rate risks of non-derivative financial liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities is prepared on the basis of the undiscounted cash flows (including principal and estimated interest) of the financial liabilities based on the earliest possible date on which the Company could be required to make repayment. Accordingly, bank loans that the Company may be required to repay immediately are shown in the table below for the earliest period, without regard to the probability that the bank will enforce the right immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the contractual repayment dates.

The following table is an analysis of the maturities of the Company's financial liabilities based on the contractual repayment periods and is presented as a summary of the undiscounted maturity amounts.

Non-derivative financial liabilities	Immediate payment or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
<u>December 31,</u> <u>2022</u>					
Non-interest- bearing liabilities	\$ 97,914	\$ 46,960	\$ 76,700	\$ 10	\$ -
Lease liabilities	2,902	5,804	26,119	139,298	1,424,908
Floating rate instruments	44,987	155,465	289,825	925,000	300,000
Fixed rate instruments	<u>29,981</u>	<u>179,857</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 175,784</u>	<u>\$ 388,086</u>	<u>\$ 492,644</u>	<u>\$ 1,064,308</u>	<u>\$ 1,724,908</u>
<u>December 31,</u> <u>2021</u>					
Non-interest- bearing liabilities	\$ 109,795	\$ 182,863	\$ 135,958	\$ 10	\$ -
Lease liabilities	2,902	5,804	26,119	139,298	1,459,732
Floating rate instruments	-	-	28,954	905,000	540,000
Fixed rate instruments	<u>67,053</u>	<u>153,842</u>	<u>145,153</u>	<u>-</u>	<u>-</u>
	<u>\$ 179,750</u>	<u>\$ 342,509</u>	<u>\$ 336,184</u>	<u>\$ 1,044,308</u>	<u>\$ 1,999,732</u>

Further information on the above maturity analysis of financial liabilities is as follows:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
<u>December 31, 2022</u>						
Lease liabilities	\$ 34,825	\$ 139,298	\$ 174,123	\$ 174,123	\$ 174,123	\$ 902,539
Floating rate instruments	<u>490,277</u>	<u>925,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 525,102</u>	<u>\$ 1,064,298</u>	<u>\$ 474,123</u>	<u>\$ 174,123</u>	<u>\$ 174,123</u>	<u>\$ 902,539</u>
<u>December 31, 2021</u>						
Lease liabilities	\$ 34,825	\$ 139,298	\$ 174,123	\$ 174,123	\$ 174,123	\$ 937,363
Floating rate instruments	<u>28,954</u>	<u>905,000</u>	<u>540,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 63,779</u>	<u>\$ 1,044,298</u>	<u>\$ 714,123</u>	<u>\$ 174,123</u>	<u>\$ 174,123</u>	<u>\$ 937,363</u>

(2) Bank financing lines

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amount used	\$ 2,025,115	\$ 1,840,002
Amount unused	<u>629,885</u>	<u>894,998</u>
	<u>\$ 2,655,000</u>	<u>\$ 2,735,000</u>

24. Related Party Transactions

Except as disclosed in other notes, the transactions between the Company and its related parties are as follows:

(I) Names and relationships of related parties

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Mosa	Subsidiary
YUAN LIN INVESTMENT CO., LTD.	Subsidiary
YUAN LIN SHANGHAI CO.,LTD. (Yuan Lin Shanghai)	Subsidiary
Maoqiang Technology Co., Ltd.	Affiliate

(II) Business Transactions

1. Receivables from Related Parties

Account Item	Related Party Category/Name	December 31, 2022	December 31, 2021
Other receivables	Mosa	\$ 5,442	\$ 5,498

No guarantee is received for amounts due from related parties in circulation and no impairment loss is recognized for expected credit impairment.

2. Other Related Party Transactions

Account Item	Related Party Category/Name	2022	2021
Other revenues	Mosa	\$ 30,268	\$ 32,695

3. Lease Agreements

Business Leasing

The Company leases buildings and structures to its subsidiary, Mosa, under operating leases for a period of six years. The rentals are based on the rental rates of similar assets and fixed lease payments are received quarterly in accordance with the leases. As of December 31, 2022 and 2021, operating lease receivables (recorded as other receivables) amounted to NT\$1,351 thousand and future lease payments to be received totaled NT\$46,335 thousand and NT\$61,780 thousand, respectively. The lease revenue recognized in both 2022 and 2021 was NT\$15,445 thousand.

(III) Key Management Compensation

The total remuneration of directors and other key management personnel is as follows:

	2022	2021
Short-Term Employee Benefits	\$ 36,909	\$ 42,191
Post-Employment Benefits	586	634
	<u>\$ 37,495</u>	<u>\$ 42,825</u>

The compensation of directors and other key management personnel is considered by the Remuneration Committee based on individual performance and market trends.

25. Assets Pledged as Collateral

The following assets have been provided as collateral for financing loans:

	December 31, 2022	December 31, 2021
Property, Plant and Equipment	\$ 2,210,329	\$ 2,264,047
Restricted bank demand deposits (recognized in other financial assets - current)	9,000	-
	<u>\$ 2,219,329</u>	<u>\$ 2,264,047</u>

26. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(I) As of December 31, 2022 and 2021, the Company had unused letters of credit amounting to NT\$0 thousand and NT\$14,982 thousand, respectively.

(II) The Company has unrecognized contractual commitments as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	<u>\$ 33,793</u>	<u>\$ 103,807</u>

27. Information on Financial Assets and Liabilities Denominated in Foreign Currencies with Significant Influence

The following information is presented in aggregate in foreign currencies other than the functional currency of the Company, and the exchange rates disclosed refer to the exchange rates at which these foreign currencies were translated into the functional currency. Assets and liabilities denominated in foreign currencies with significant influence are as follows:

Foreign currency assets	December 31, 2022			December 31, 2021		
	Foreign currency	Exchan ge rate	Carrying amount	Foreign currency	Exchan ge rate	Carrying amount
<u>Monetary items</u>						
USD (USD:NTD)	\$ 6,544	30.71	\$ 200,966	\$ 10,992	27.68	\$ 304,259
RMB (RMB:NTD)	8,883	4.408	39,156	7,788	4.344	33,831
EUR (EUR:NTD)	3,603	32.72	117,890	3,737	31.32	117,043

Foreign currency liabilities	December 31, 2022			December 31, 2021				
	Foreign currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount		
<u>Monetary items</u>								
USD (USD:NTD)	\$	247	30.71	\$	2,500	27.68	\$	69,200
RMB (RMB:NTD)		74	4.408		158	4.344		686
EUR (EUR:NTD)		86	32.72		534	31.32		16,725

Foreign currency translation gains and losses (both realized and unrealized) with significant effect were as follows:

Foreign currency	2022		2021	
	Exchange rate	Net exchange benefits	Exchange rate	Net exchange (losses) gains
USD	29.805 (USD:NTD)	\$ 16,298	28.009 (USD:NTD)	(\$ 10,164)
RMB	4.422 (RMB:NTD)	328	4.341 (RMB:NTD)	168
EUR	31.36 (EUR:NTD)	5,672	33.160 (EUR:NTD)	(9,172)

28. Additional Disclosures

- (I) Information on significant transactions and (II) Information on investees:
- Loans of funds to other parties: Schedule 1.
 - Endorsements or guarantees for other parties: Schedule 2.
 - Holding of securities at the end of the period: N/A.
 - Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more: N/A.
 - Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: N/A.
 - Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: N/A.
 - Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Schedule 3.
 - Accounts receivable from related parties reaching NT\$100 million or 20% of paid-in capital or more: Schedule 4.
 - Trading in derivative instruments: N/A.
 - Information on investee companies: Schedule 5.
- (III) Information on Investments in Mainland China
- Investee companies' names, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area: Schedule 6.

2. Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: N/A.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Schedule 3.
 - (3) The amount of property transactions and the amount of the resultant gains or losses: N/A.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: N/A.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Schedule 1.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: N/A.
- (IV) Information on major shareholders: the names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the issuer's equity: Schedule 7.

Mosa Industrial Corp. and Subsidiaries
Loans of Funds to Other Parties
From January 1 to December 31, 2022

Schedule 1

Unit: NTD and Foreign Currencies in Thousands

No.	Lending Company	Borrower	Transaction Items	Related Party	Maximum Balance of the Year	Balance at the end of the year	Actual Expenditure Amount	Interest Rate Range	Nature of Loan	Amount of Business Dealings	Reasons for the Need of Short-Term Financing	Allowance for Losses	Collaterals		Limit of Lending of Funds to the Individual Party	Total Limit of Lending	Remark
													Name	Value			
0	Mosa	Mosa Shanghai	Other receivables	Yes	\$ 110,200 (RMB 25,000)	\$ 110,200 (RMB 25,000)	\$ -	-	Business dealings	\$ 241,894	—	\$ -	—	\$ -	\$ 362,841 (Note 1)	\$ 526,610 (Note 2)	

Note 1: 1. Limited to 150% of the most recent year's business transactions between the lender and the borrower. The business dealings amount refers to the higher of the purchase or sale amount between the parties.
2. Short-term financing necessary for operating needs with the Company or subsidiaries in which the Company holds more than 50% of the shares is limited to no more than 30% of the net value.
Note 2: Limited to 40% of the borrower's equity.

Mosa Industrial Corp. and Subsidiaries
Endorsements or Guarantees for Other Parties
From January 1 to December 31, 2022

Schedule 2 Unit: NTD in Thousands or Foreign Currencies in Thousands

No.	Company Name of Endorser/Guarantor	Subject of Endorsement/Guarantee		Limit of Endorsement and Guarantee for a Single Company (Note 1)	Maximum Endorsement and Guarantee Balance for the Year	Endorsement and Guarantee Balance at the End of the Year	Actual Expenditure Amount	Amount of Endorsement and Guarantee with Property as Collateral	Ratio of Accumulated Endorsement and Guarantee to Net Financial Statements for the Year	Maximum Endorsement and Guarantee (Note 2)	Endorsement and Guarantee from Parent Company to Subsidiary	Endorsement and Guarantee from Subsidiary to Parent Company	Endorsement and Guarantee to Mainland Area	Remark
		Name of Company	Relationship											
0	The Company	Mosa	Subsidiaries	\$ 1,073,109	\$ 100,000	\$ 100,000	\$ 30,000	\$ -	2.33%	\$ 2,146,218	Y	—	—	

Note 1: The amount of endorsement and guarantee by the Company or the Company and its subsidiaries as a whole to a single enterprise shall not exceed 25% of the Company's most recent net financial statements amount.
Note 2: The total amount of endorsement and guarantees by the Company or the Company and its subsidiaries as a whole to external parties shall not exceed 50% of the Company's most recent net financial statements amount.

Mosa Industrial Corp. and Subsidiaries
Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
From January 1 to December 31, 2022

Schedule 3

Unit: NT\$ Thousand

Company Purchasing (Selling)	Name of Counterparty	Relationship	Transaction Status				The Circumstances and Reasons Why the Transaction Conditions are Different from Those of Ordinary Transactions		Notes and Accounts Receivable (Payable)		Remark
			Purchase (Sale)	Amount	Percentage to Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Remaining Balance	Percentage to Total Notes and Accounts Receivable (Payable)	
Mosa	Mosa Shanghai	Subsidiaries	Sale	\$ 533,113	86%	(Note)	(Note)	(Note)	\$ 504,562	99%	

Note: The products sold by Mosa to related parties are different from those sold to non-related parties. Therefore, the terms of sale are based on the agreement between the two parties, and the terms of collection for related parties are 365 days, which is longer than those for non-related parties.

Mosa Industrial Corp. and Subsidiaries
 Accounts receivable from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2022

Schedule 4

Unit: NT\$ Thousand

Company with Accounts Receivable	Counterparty	Relationship	Balance of Receivables from Related Parties	Turnover	Overdue Receivables from Related Parties		Subsequent Recoveries of Amounts Receivables from Related Parties	Allowance for Losses
					Amount	Handling		
Mosa	Mosa Shanghai	Subsidiaries	Accounts receivable - related parties\$ 504,562	1.43	\$ -	—	\$ 110,409	\$ -

Mosa Industrial Corp. and Subsidiaries
Information on Investee Companies
From January 1 to December 31, 2022

Schedule 5

Unit: NTD and Foreign Currencies in Thousands

Name of investing company	Name of investee company (Note)	Location Area	Main Business Items	Original Investment Amount		Year-End Holdings			Profit (Loss) of Investee Company for the Year	Investment Profit (Loss) Recognized for the Year	Remark
				End of The Current Year	End of The Previous Year	Number of Shares	Percentage %	Carrying amount			
The Company	Mosa	Yunlin County	Manufacturing of automobiles and parts thereof, and other metal products	\$ 1,365,000	\$ 1,365,000	68,500,000	100	\$ 1,317,700	\$ 63,330	\$ 63,467	
	Maoqiang	Taichung City	Precision chemical materials, machinery and equipment manufacturing	2,500	-	250,000	25	1,318	(4,728)	(1,182)	
	Mosa	Seychelles	Investing company	29,527 (USD 1,000)	29,527 (USD 1,000)	1,000,000	100	3,970	6,931	6,389	

Note: Refer to Note 9.

Mosa Industrial Corp. and Subsidiaries
Information on Investments in Mainland China
From January 1 to December 31, 2022

Schedule 6

Unit: NTD and Foreign Currencies in Thousands

Name of investee company in Mainland China	Main Business Items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the year	Amount of investment transferred or recovered during the year		Accumulated investment amount transferred from Taiwan at the end of the year	Shareholding of the Company's direct or indirect investments	Investment Profit (Loss) Recognized for the Year (Note 1)	Carrying value of investments at year-end	Investment income transferred to Taiwan as at the end of the year
					Transferred	Recovered					
Mosa Shanghai	Wholesale, import and export of precision metal products, airbags and related parts	\$ 29,527 (USD 1,000)	Investment in a Mainland company by a company founded through third-party investment	\$ 29,527 (USD 1,000)	\$ -	\$ -	\$ 29,527 (USD 1,000)	100%	\$ 6,564 (USD 220)	\$ 13,890 (USD 452)	\$ -

Cumulative amount of investment from Taiwan to China at the end of the year	Amount of investment approved by the Investment Commission of the Ministry of Economic Affairs	Investment quota in Mainland China according to the Investment Commission of the Ministry of Economic Affairs
\$ 29,527 (USD 1,000)	\$ 29,527 (USD 1,000)	\$ 2,575,462 (Note 2)

Note 1: The calculation is based on the investee's unreviewed financial statements for the same period.

Note 2: The calculation is based on 60% of the net value in accordance with the "Principles for Examination of Investment or Technical Cooperation in Mainland China" by the Investment Commission.

Mosa Industrial Corp.
Information on Major Shareholders
December 31, 2022

Schedule 7

Name of Major Shareholder	Shares	
	Number of shares held (shares)	Shareholding percentage
Yong Xin International Investment Co., Ltd.	13,831,735	7.56%
Wang Te-Hsin	12,870,715	7.04%
Tsai Chao-Pao	11,072,000	6.05%

Note: The information on major shareholders in this table is information of shareholders owning more than 5% of the Company's common stock that has been delivered without physical registration on the last business day of the quarter, as calculated by the TDCC. The share capital recorded in the consolidated financial statements and the actual number of shares delivered without physical registration may differ depending on the basis of preparation.

§ Table of Content - Schedule of Significant Accounting Entries §

Item	Number/Index
Statement of assets, liabilities and equity	
Statement of cash	Statement 1
Statement of notes receivable	Statement 2
Statement of accounts receivable	Statement 3
Statement of inventory	Statement 4
Statement of changes in investments accounted for using the equity method	Statement 5
Statement of changes in property, plant and equipment	Note 10
Statement of changes in accumulated depreciation of property, plant and equipment	Note 10
Statement of changes in right-of-use assets	Statement 6
Statement of changes in accumulated depreciation of right-of-use assets	Statement 6
Statement of changes in investment property	Note 12
Statement of changes in accumulated depreciation of investment property	Note 12
Statement of changes in intangible assets	Note 13
Statement of deferred income tax assets	Note 19
Statement of short-term bank loans	Statement 7
Statement of short-term bills payable	Statement 8
Statement of notes payable	Statement 9
Statement of accounts payable	Statement 10
Statement of long-term bank loans	Statement 11
Statement of other payables	Note 15
Statement of lease liabilities	Note 11
Statement of deferred income tax liabilities	Note 19
Statement of profit and loss items	
Statement of operating revenues	Statement 12
Statement of operating costs	Statement 13
Statement of operating expenses	Statement 14
Summary of employee benefits, depreciation and amortization expenses incurred during the year by function	Note 18

Mosa Industrial Corp.
Statement of cash
December 31, 2022

Statement 1

Units: In thousands of New Taiwan Dollars,
unless otherwise stated

Item	Foreign currency	Exchange rate	Amount
Cash on hand and working capital			
NTD	95	1	\$ 95
EUR	8	32.72	263
USD	7	30.71	216
RMB	23	4.408	112
Others			<u>22</u>
			<u>708</u>
Bank deposits			
Demand deposits			304,018
Foreign currency deposits			
USD	2,585	30.71	79,384
RMB	1,241	4.408	5,469
EUR	172	32.72	<u>5,631</u>
			<u>394,502</u>
			<u>\$ 395,210</u>

Mosa Industrial Corp.
Statement of notes receivable
December 31, 2022

Statement 2

Unit: NT\$ Thousand

Name of customer	Amount
Non-related party	
Company 10127	\$ 640
Company 10129	557
Others (Note)	<u>4</u>
	<u>\$ 1,201</u>

Note: The balance of each item does not exceed 5% of the balance of the account.

Mosa Industrial Corp.
Statement of accounts receivable
December 31, 2022

Statement 3

Unit: NT\$ Thousand

Name of customer	Amount
Non-related party	
Company 10064	\$ 80,841
Company 10002	42,657
Company 10265	33,586
Company 10118	33,171
Company 10075	25,467
Others (Note)	<u>92,775</u>
	308,497
Less: Allowance for losses	(<u>15,538</u>)
	<u>\$ 292,959</u>

Note: The balance of each item does not exceed 5% of the balance of the account.

Mosa Industrial Corp.
Statement of inventory
December 31, 2022

Statement 4

Unit: NT\$ Thousand

Item	Amount	
	Cost	Market Price
Finished goods	\$ 35,943	\$ 40,281
Work in process	50,438	54,891
Raw materials	<u>104,390</u>	<u>113,930</u>
	<u>\$ 190,771</u>	<u>\$ 209,102</u>

Note: Inventories are measured at the lower of cost or net realizable value.

Mosa Industrial Corp.
Statement of changes in investments accounted for using the equity method
From January 1 to December 31, 2022

Statement 5

Unit: NT\$ Thousand

Name of investee company	Balance at the beginning of the year		Increase during the year		Share of profit or loss of subsidiaries accounted for using equity method	Exchange differences arising from the translation of financial statements of foreign operations	Unrealized benefits from downstream transactions	Balance at the end of the year			Net Equity	Provision of guarantees or pledges
	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	Shareholding %	Amount		
Non-listed companies												
Mosa	68,500	\$ 1,254,177	-	\$ -	\$ 63,467	\$ 56	\$ -	68,500	100	\$ 1,317,700	\$ 1,317,700	None
Maoqiang	-	-	250	2,500	(1,182)	-	-	250	25	1,318	1,318	None
		<u>\$ 1,254,177</u>		<u>\$ 2,500</u>	<u>\$ 62,285</u>	<u>\$ 56</u>	<u>\$ -</u>			<u>\$ 1,319,018</u>	<u>\$ 1,319,018</u>	

Mosa Industrial Corp.
Statement of changes in right-of-use assets
From January 1 to December 31, 2022

Statement 6

Unit: NT\$ Thousand

	Balance at the beginning of the year	Increase during the year	Balance at the end of the year
Cost			
Land	\$ 1,154,453	<u>\$ -</u>	\$ 1,154,453
Accumulated depreciation			
Land	<u>71,747</u>	<u>\$ 23,077</u>	<u>94,824</u>
Right-of-use assets	<u>\$ 1,082,706</u>		<u>\$ 1,059,629</u>

Mosa Industrial Corp.
Statement of short-term bank loans
December 31, 2022

Statement 7

Unit: NT\$ Thousand

Borrowing Type and Bank	Balance at the end of the year	Borrowing Period	Annual interest rate (%)	Financing lines	Collateral or guarantee	Remark
Letter of credit borrowing						
JIH SUN INTERNATIONAL BANK	\$ 11,875	2022.07.18-2023.04.24	1.46-1.5964	20,000	None	—
E.SUN Commercial Bank	19,503	2022.08.03-2023.03.20	1.55	20,000	None	—
First Commercial Bank	<u>58,899</u>	2022.07.11-2023.06.07	1.945	70,000	None	—
	<u>90,277</u>					
Credit borrowing						
Citibank	100,000	2022.12.09-2023.04.07	1.47	120,000	None	—
Bank Sinopac	50,000	2022.11.11-2023.02.09	1.6126	90,000	None	—
Yuanta Commercial Bank	80,000	2022.12.15-2023.02.10	1.45	100,000	None	—
JIH SUN INTERNATIONAL BANK	30,000	2022.08.15-2023.02.15	1.6637	30,000	None	—
Taiwan Cooperative Bank	100,000	2022.08.15-2023.08.15	1.501	200,000	None	—
E.SUN Commercial Bank	80,000	2022.11.28-2023.03.19	1.55	80,000	None	—
Bangkok Bank	30,000	2022.10.20-2023.04.18	1.89	150,000	None	—
Cathay United Bank	<u>30,000</u>	2022.10.20-2023.01.16	1.72	100,000	None	—
	<u>500,000</u>					
	<u>\$ 590,277</u>					

Mosa Industrial Corp.
Statement of short-term bills payable
December 31, 2022

Statement 8

Unit: NT\$ Thousand

Item	Guarantee agency	Contract duration	Interest Rate Range	Issue amount
Short-term bills payable	TAIWAN COOPERATIVE BILLS FINANCE CORPORATION	2022.12.28-2023.02.24	1.938%	\$ 50,000
	China Bills Finance Corporation	2022.12.02-2023.01.13	1.8899%	30,000
Unamortized discount				(<u>162</u>)
Net short-term notes payable				<u>\$ 79,838</u>

Mosa Industrial Corp.
Statement of notes payable
December 31, 2022

Statement 9

Unit: NT\$ Thousand

Name of supplier	Amount
Non-related party	
Company A	\$ 6,447
Company B	3,150
Others (Note)	<u>60</u>
	<u>\$ 9,657</u>

Note: The balance of each item does not exceed 5% of the balance of the account.

Mosa Industrial Corp.
Statement of accounts payable
December 31, 2022

Statement 10

Unit: NT\$ Thousand

Name of supplier	Amount
Non-related party	
Company I	\$ 14,065
Company II	9,491
Company III	7,413
Company IV	3,952
Company V	2,205
Others (Note)	<u>6,093</u>
	<u>\$ 43,219</u>

Note: The balance of each item does not exceed 5% of the balance of the account.

Mosa Industrial Corp.
Statement of long-term bank loans
December 31, 2022

Statement 11

Unit: NT\$ Thousand

Borrowing Type and Bank	Term and repayment method	Annual interest rate (%)	Due within one year	Due after one year	Total	Collateral or guarantee
Secured Borrowing						
Taiwan Cooperative Bank	Due in November 2029; the principal will be forgiven for 2 years starting from November 2019, after which the principal will be repaid in 32 equal installments every 3 months.	1.751	\$ 50,000	\$ 600,000	\$ 650,000	Buildings
Taiwan Cooperative Bank	Due in November 2032. Starting from November 2018, the principal shall be forgiven for 2 years, and thereafter the principal shall be repaid in 48 equal installments in 3 monthly installments. If the borrower does not complete the lease renewal on the day one month prior to the expiration of the land lease, the borrower shall repay the outstanding principal and interest in this case immediately.	1.951	10,000	360,000	370,000	Buildings
Taiwan Cooperative Bank	Due in March 2026; the principal will be forgiven for 2 years starting from March 2021, after which the principal will be repaid in 12 equal installments every 3 months.	1.751	<u>50,000</u>	<u>225,000</u>	<u>275,000</u>	Machinery and equipment
			110,000	1,185,000	1,295,000	
Credit borrowing						
Bank Sinopac	Due in December 2024. Starting in December 2019, the first installment will be made on the date of expiration of 18 months from the date of drawdown, and every 6 months thereafter, in 8 installments, with 15% repayment in each of the first 4 installments and 10% repayment in each of the subsequent installments.	1.7653-1.8975	<u>20,000</u>	<u>40,000</u>	<u>60,000</u>	None
			<u>\$ 130,000</u>	<u>\$ 1,225,000</u>	<u>\$ 1,355,000</u>	

Mosa Industrial Corp.
Statement of operating revenues
From January 1 to December 31, 2022

Statement 12

Unit: NT\$ Thousand

Item	Summary	Number (thousand units)	Amount
Operating revenue	High-pressure charger	228,849	\$ 1,194,379
	Others (Note)	139	<u>42,835</u>
			<u>\$ 1,237,214</u>

Note: The balance of each item does not exceed 5% of the balance of the account.

Mosa Industrial Corp.
Statement of operating costs
From January 1 to December 31, 2022

Statement 13

Unit: NT\$ Thousand

Item	Amount
Raw materials at the beginning of the year	\$ 205,228
Purchase of raw materials during the year	413,821
Raw materials at the end of the year	(115,459)
Raw materials for sale	(224)
Others	(10)
Direct raw materials	503,356
Direct labor	78,945
Manufacturing expenses	<u>539,832</u>
Manufacturing costs	1,122,133
Work in process at the beginning of the year	36,103
Work in process at the end of the year	(69,446)
Sale of work in process	(36,308)
Others	<u>5,356</u>
Costs of finished goods	1,057,838
Finished goods at the beginning of the year	7,358
Finished goods at the end of the year	(37,178)
Others	<u>36,544</u>
Production and marketing costs	1,064,562
Products at the beginning of the year	812
Purchase of raw materials during the year	15,463
Products at the end of the year	(812)
Purchase and marketing costs	<u>15,463</u>
Production and marketing plus purchase and marketing costs	1,080,025
Cost of raw materials and work-in-progress sold	36,532
Loss on inventory valuation falling and obsolescence	18,721
Revenue from scraps	(34,586)
Others	(988)
Operating costs	<u><u>\$ 1,099,704</u></u>

Mosa Industrial Corp.
Statement of operating expenses
From January 1 to December 31, 2022

Statement 14

Unit: NT\$ Thousand

Item	Selling expenses	General and administrative expenses	R&D expenses
Salaries and bonuses	\$ 4,678	\$ 29,836	\$ 10,151
Export expenses	13,564	-	-
Depreciation	216	16,773	226
Others	<u>5,304</u>	<u>32,730</u>	<u>8,607</u>
	<u>\$ 23,762</u>	<u>\$ 79,339</u>	<u>\$ 18,984</u>