

# Mosa Industrial Corp.

## Standalone Financial Statements and Independent Auditors' Report 2023 and 2022

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

## §Table of contents§

| Item                                                                                                                | Page  | Notes to<br>Consolidated<br>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                                                                     | 14~27 | 4                                                |
| (V) Significant Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty                           | 27    | 5                                                |
| (VI) Description of Significant Accounting Items                                                                    | 27~48 | 6~26                                             |
| (VII) Related Party Transactions                                                                                    | 48~49 | 27                                               |
| (VIII) Assets Pledged as Collateral                                                                                 | 49    | 28                                               |
| (IX) Significant Contingent Liabilities and Unrecognized Contractual Commitments                                    | 49    | 29                                               |
| (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 | 50    | XXX                                              |
| (XIV) Additional Disclosures                                                                                        |       |                                                  |
| 1. Information on Major Transactions                                                                                | 50~51 | XXXI                                             |
| 2. Information on Investee Companies                                                                                | 50~51 | XXXI                                             |
| 3. Information on Investments in Mainland China                                                                     | 51    | XXXI                                             |
| 4. Information on Major Shareholders                                                                                | 51    | XXXI                                             |
| (XV) Segment Information                                                                                            | -     | -                                                |
| IX. Schedule of Significant Accounting Entries                                                                      | 59~72 | -                                                |

## **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, 2023 and 2022 and the related parent company only statements of comprehensive income, changes in equity and cash flow for the years then ended, and relevant notes, including a summary of significant accounting policies "(hereinafter 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, 2023 and 2022 and for the years then ended, and its individual financial performance and its individual cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **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 2023 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 2023, are stated as follows:

Operating revenue

The revenue sources of Mosa Industrial Company are the consumer goods sector. The sales revenue of some of the important customers has increased significantly compared to the previous year, 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 203 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 12, 2024

Mosa Industrial Corp.  
parent-only Balance Sheet  
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ Thousand

| Code | Asset                                                                         | December 31, 2023   |            | December 31, 2022   |            |
|------|-------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
|      |                                                                               | Amount              | %          | Amount              | %          |
|      | <b>CURRENT ASSETS</b>                                                         |                     |            |                     |            |
| 1100 | Cash (Notes 4 and 6)                                                          | \$ 727,139          | 10         | \$ 395,210          | 5          |
| 1110 | Current financial assets at fair value through profit or loss (Notes 4 and 7) | 545                 | -          | -                   | -          |
| 1150 | Notes receivable - non-related parties (Notes 4, 8 and 20)                    | 9                   | -          | 1,201               | -          |
| 1170 | Accounts receivable - non-related parties (Notes 4, 8 and 20)                 | 114,506             | 1          | 292,959             | 4          |
| 1180 | Accounts receivable - related parties (Notes 4, 20 and 27)                    | 17                  | -          | -                   | -          |
| 1200 | Other receivables (Note 4 and 27)                                             | 6,526               | -          | 9,422               | -          |
| 130X | Inventories (Notes 4 and 9)                                                   | 60,671              | 1          | 190,771             | 2          |
| 1410 | Pre-payments                                                                  | 46,813              | 1          | 50,463              | 1          |
| 1476 | Other financial assets — current (Notes 4, 6 and 28)                          | -                   | -          | 9,000               | -          |
| 1479 | Other current assets                                                          | <u>357</u>          | <u>-</u>   | <u>1,725</u>        | <u>-</u>   |
| 11XX | Total current assets                                                          | <u>956,583</u>      | <u>13</u>  | <u>950,751</u>      | <u>12</u>  |
|      | <b>Non-current assets</b>                                                     |                     |            |                     |            |
| 1550 | Investment under the equity method (Notes 4 and 10)                           | 1,259,516           | 17         | 1,319,018           | 17         |
| 1600 | Property, plant and equipment (Notes 4, 11 and 28)                            | 3,315,511           | 45         | 3,525,283           | 46         |
| 1755 | Right-of-use assets (Note 4 and 12)                                           | 1,036,552           | 14         | 1,059,629           | 14         |
| 1760 | Investment property (Notes 4, 13 and 27)                                      | 645,880             | 9          | 661,600             | 9          |
| 1780 | Intangible assets (Note 4 and 14)                                             | 3,595               | -          | 4,383               | -          |
| 1840 | Deferred tax assets (Note 4 and 22)                                           | 30,573              | -          | 6,981               | -          |
| 1915 | Pre-payments for equipment                                                    | 104,550             | 2          | 165,210             | 2          |
| 1920 | Guarantee deposits paid                                                       | <u>5,037</u>        | <u>-</u>   | <u>1,881</u>        | <u>-</u>   |
| 15XX | Total non-current assets                                                      | <u>6,401,214</u>    | <u>87</u>  | <u>6,743,985</u>    | <u>88</u>  |
| 1XXX | Total assets                                                                  | <u>\$ 7,357,797</u> | <u>100</u> | <u>\$ 7,694,736</u> | <u>100</u> |
|      | <b>Liabilities and equity</b>                                                 |                     |            |                     |            |
|      | <b>Current liabilities</b>                                                    |                     |            |                     |            |
| 2100 | Short-term bank loans (Note 15)                                               | \$ 210,840          | 3          | \$ 590,277          | 8          |
| 2110 | Short-term bill payable (Note 15)                                             | -                   | -          | 79,838              | 1          |
| 2130 | Contract liabilities - Current (Notes 4 and 20)                               | 5,937               | -          | 12,302              | -          |
| 2150 | Note payable - non related parties                                            | 1,709               | -          | 9,657               | -          |
| 2170 | Accounts payable - non related parties                                        | 36,596              | 1          | 43,219              | -          |
| 2200 | Other payables (Note 17)                                                      | 93,803              | 1          | 168,698             | 2          |
| 2230 | Current tax liabilities - current (Note 4 and 22)                             | 18,208              | -          | 48,362              | 1          |
| 2280 | Lease liabilities - current (Note 4 and 12)                                   | 15,785              | -          | 15,507              | -          |
| 2320 | Current portion of long-term bank loans (Notes 15 and 28)                     | 100,000             | 2          | 130,000             | 2          |
| 2399 | Other current liabilities                                                     | <u>17,289</u>       | <u>-</u>   | <u>895</u>          | <u>-</u>   |
| 21XX | Total current liabilities                                                     | <u>500,167</u>      | <u>7</u>   | <u>1,098,755</u>    | <u>14</u>  |
|      | <b>Non-current liabilities</b>                                                |                     |            |                     |            |
| 2530 | Bonds payables (Notes 4 and 16)                                               | 523,906             | 7          | -                   | -          |
| 2540 | Long-term bank loans (Note 15 and 28)                                         | 960,000             | 13         | 1,225,000           | 16         |
| 2570 | Deferred tax liabilities (Notes 4 and 22)                                     | -                   | -          | 1,435               | -          |
| 2580 | Lease liabilities - non-current (Note 4 and 12)                               | 1,061,314           | 14         | 1,077,100           | 14         |
| 2645 | Deposits received                                                             | <u>10</u>           | <u>-</u>   | <u>10</u>           | <u>-</u>   |
| 25XX | Total non-current liabilities                                                 | <u>2,545,230</u>    | <u>34</u>  | <u>2,303,545</u>    | <u>30</u>  |
| 2XXX | Total liabilities                                                             | <u>3,045,397</u>    | <u>41</u>  | <u>3,402,300</u>    | <u>44</u>  |
|      | <b>Equity</b>                                                                 |                     |            |                     |            |
| 3110 | Common stock                                                                  | 2,027,883           | 28         | 1,827,883           | 24         |
| 3200 | Capital surplus                                                               | 2,086,402           | 28         | 1,854,680           | 24         |
|      | Retained earnings                                                             |                     |            |                     |            |
| 3310 | Legal reserves                                                                | 243,636             | 3          | 238,056             | 3          |
| 3320 | Special reserves                                                              | 4,501               | -          | 4,557               | -          |
| 3350 | Undistributed earnings                                                        | ( 45,383 )          | -          | 371,761             | 5          |
| 3400 | Other equities                                                                | ( <u>4,639</u> )    | <u>-</u>   | ( <u>4,501</u> )    | <u>-</u>   |
| 3XXX | Total equity                                                                  | <u>4,312,400</u>    | <u>59</u>  | <u>4,292,436</u>    | <u>56</u>  |
|      | Total liabilities and equity                                                  | <u>\$ 7,357,797</u> | <u>100</u> | <u>\$ 7,694,736</u> | <u>100</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 Comprehensive Income  
From January 1 to December 31, 2023 and 2022

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

| Code |                                                                                           | 2023               |               | 2022             |           |
|------|-------------------------------------------------------------------------------------------|--------------------|---------------|------------------|-----------|
|      |                                                                                           | Amount             | %             | Amount           | %         |
| 4000 | Operating revenue (Notes 4 and 20)                                                        | \$ 742,992         | 100           | \$ 1,237,214     | 100       |
| 5000 | Operating costs (Notes 9 and 21)                                                          | <u>871,218</u>     | <u>117</u>    | <u>1,099,704</u> | <u>89</u> |
| 5900 | Gross profit (loss)                                                                       | ( <u>128,226</u> ) | ( <u>17</u> ) | <u>137,510</u>   | <u>11</u> |
|      | Operating expenses (Note 21)                                                              |                    |               |                  |           |
| 6100 | Selling expenses                                                                          | 14,767             | 2             | 23,762           | 2         |
| 6200 | General and administrative expenses                                                       | 86,394             | 12            | 79,339           | 6         |
| 6300 | R&D expenses                                                                              | 17,531             | 2             | 18,984           | 1         |
| 6450 | Expected credit impairment losses (Note 8)                                                | <u>59,483</u>      | <u>8</u>      | <u>8,932</u>     | <u>1</u>  |
| 6000 | Total operating expenses                                                                  | <u>178,175</u>     | <u>24</u>     | <u>131,017</u>   | <u>10</u> |
| 6900 | Net operating income (loss)                                                               | ( <u>306,401</u> ) | ( <u>41</u> ) | <u>6,493</u>     | <u>1</u>  |
|      | Non-operating revenues and expenses                                                       |                    |               |                  |           |
| 7010 | Other revenues (Notes 21 and 27)                                                          | 68,850             | 9             | 53,933           | 4         |
| 7100 | Interest Income                                                                           | 3,797              | -             | 530              | -         |
| 7020 | Other gains or losses (Note 21)                                                           | ( 68,486 )         | ( 9 )         | ( 24,394 )       | ( 2 )     |
| 7050 | Financial costs (Note 21)                                                                 | ( 52,803 )         | ( 7 )         | ( 44,109 )       | ( 3 )     |
| 7070 | Share of profit or loss of subsidiaries accounted for using equity method (Note 4 and 10) | ( <u>59,364</u> )  | ( <u>8</u> )  | <u>62,285</u>    | <u>5</u>  |
| 7000 | Total non-operating income and expenses                                                   | ( <u>108,006</u> ) | ( <u>15</u> ) | <u>48,245</u>    | <u>4</u>  |
| 7900 | Pretax profit (loss)                                                                      | ( 414,407 )        | ( 56 )        | 54,738           | 5         |
| 7950 | Income tax gains (Notes 4 and 22)                                                         | ( <u>43,345</u> )  | ( <u>6</u> )  | ( <u>1,064</u> ) | -         |
| 8200 | Net profit (loss) for the year                                                            | ( <u>371,062</u> ) | ( <u>50</u> ) | <u>55,802</u>    | <u>5</u>  |

(Continued on next page)

(Continued from previous page)

| Code |                                                                                           | 2023           |        | 2022      |   |
|------|-------------------------------------------------------------------------------------------|----------------|--------|-----------|---|
|      |                                                                                           | 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 | ( \$ 138 )     | -      | \$ 56     | - |
| 8500 | Total comprehensive income of the current year                                            | ( \$ 371,200 ) | ( 50 ) | \$ 55,858 | 5 |
|      | Earnings (loss) per share (Note 23)                                                       |                |        |           |   |
| 9750 | Basic                                                                                     | ( \$ 1.87 )    |        | \$ 0.31   |   |
| 9850 | Diluted                                                                                   | ( \$ 1.87 )    |        | \$ 0.30   |   |

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. and Subsidiaries  
Parent-Only Statement of Changes in Equity  
From January 1 to December 31, 2023 and 2022

Unit: In NT\$ thousand;  
dividend per share in NT\$

| Code |                                                                               | Common stock (Note 19) | Capital surplus<br>(Notes 16, 19 and 24) | Retained earnings (Note 19) |                 |                                                      | Other equities                                                                                                          | Total equity |
|------|-------------------------------------------------------------------------------|------------------------|------------------------------------------|-----------------------------|-----------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------|
|      |                                                                               |                        |                                          | Statutory reserves          | Special reserve | Undistributed earnings<br>(Losses to be compensated) | Exchange differences<br>arising from the<br>translation of financial<br>statements of foreign<br>operations<br>(Note 4) |              |
| A1   | Balance at January 1, 2022                                                    | \$ 1,827,883           | \$ 1,854,680                             | \$ 206,076                  | \$ 4,529        | \$ 585,592                                           | ( \$ 4,557 )                                                                                                            | \$ 4,474,203 |
|      | Earning appropriation and distribution for 2021                               |                        |                                          |                             |                 |                                                      |                                                                                                                         |              |
| B1   | Legal reserves                                                                | -                      | -                                        | 31,980                      | -               | ( 31,980 )                                           | -                                                                                                                       | -            |
| B3   | Special reserves                                                              | -                      | -                                        | -                           | 28              | ( 28 )                                               | -                                                                                                                       | -            |
| B5   | Cash dividends to shareholders                                                | -                      | -                                        | -                           | -               | ( 237,625 )                                          | -                                                                                                                       | ( 237,625 )  |
| D1   | 2022 net income                                                               | -                      | -                                        | -                           | -               | 55,802                                               | -                                                                                                                       | 55,802       |
| D3   | Other comprehensive net income for year 2022                                  | -                      | -                                        | -                           | -               | -                                                    | 56                                                                                                                      | 56           |
| D5   | 2022 total comprehensive income                                               | -                      | -                                        | -                           | -               | 55,802                                               | 56                                                                                                                      | 55,858       |
| Z1   | Balance at December 31, 2022                                                  | 1,827,883              | 1,854,680                                | 238,056                     | 4,557           | 371,761                                              | ( 4,501 )                                                                                                               | 4,292,436    |
|      | Earning appropriation and distribution for 2022                               |                        |                                          |                             |                 |                                                      |                                                                                                                         |              |
| B1   | Legal reserves                                                                | -                      | -                                        | 5,580                       | -               | ( 5,580 )                                            | -                                                                                                                       | -            |
| B3   | Special reserves                                                              | -                      | -                                        | -                           | ( 56 )          | 56                                                   | -                                                                                                                       | -            |
| B5   | Cash dividends to shareholders                                                | -                      | -                                        | -                           | -               | ( 40,558 )                                           | -                                                                                                                       | ( 40,558 )   |
| E1   | Proceeds from issuing shares                                                  | 200,000                | 199,000                                  | -                           | -               | -                                                    | -                                                                                                                       | 399,000      |
| N1   | Share-Based Payments                                                          | -                      | 8,633                                    | -                           | -               | -                                                    | -                                                                                                                       | 8,633        |
| C5   | Recognized equity components from the Company's issuance of convertible bonds | -                      | 24,089                                   | -                           | -               | -                                                    | -                                                                                                                       | 24,089       |
| D1   | 2023 net loss                                                                 | -                      | -                                        | -                           | -               | ( 371,062 )                                          | -                                                                                                                       | ( 371,062 )  |
| D3   | Other comprehensive net income for year 2023                                  | -                      | -                                        | -                           | -               | -                                                    | ( 138 )                                                                                                                 | ( 138 )      |
| D5   | 2023 total comprehensive income                                               | -                      | -                                        | -                           | -               | ( 371,062 )                                          | ( 138 )                                                                                                                 | ( 371,200 )  |
| Z1   | Balance at December 31, 2023                                                  | \$ 2,027,883           | \$ 2,086,402                             | \$ 243,636                  | \$ 4,501        | ( \$ 45,383 )                                        | ( \$ 4,639 )                                                                                                            | \$ 4,312,400 |

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, 2023 and 2022

Unit: NT\$ Thousand

| Code   |                                                                                          | 2023              | 2022              |
|--------|------------------------------------------------------------------------------------------|-------------------|-------------------|
|        | <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                              |                   |                   |
| A10000 | Net income (loss) before tax of the current year                                         | ( \$ 414,407 )    | \$ 54,738         |
| A20010 | Income and expenses                                                                      |                   |                   |
| A20100 | Depreciation                                                                             | 339,279           | 332,679           |
| A20200 | Amortization expenses                                                                    | 973               | 1,429             |
| A20300 | Expected credit impairment losses                                                        | 59,483            | 8,932             |
| A20900 | Financial costs                                                                          | 52,803            | 44,109            |
| A21200 | Interest Income                                                                          | ( 3,797 )         | ( 530 )           |
| A21900 | Share-based payments                                                                     | 8,633             | -                 |
| A22400 | Share of profit or loss of subsidiaries and associates accounted for using equity method | 59,364            | ( 62,285 )        |
| A22500 | Losses (gains) on disposal of property, plant and equipment                              | 17,403            | ( 43 )            |
| A23700 | Loss on inventory valuation falling and obsolescence (gain on recovery)                  | ( 9,881 )         | 18,721            |
| A24100 | Net foreign exchange gains                                                               | ( 3,940 )         | ( 5,195 )         |
| A30000 | Changes in operating assets and liabilities                                              |                   |                   |
| A31130 | Notes receivable                                                                         | 1,192             | 972               |
| A31150 | Accounts receivable                                                                      | 122,740           | 92,163            |
| A31180 | Other receivables                                                                        | 2,896             | 17,872            |
| A31200 | Inventories                                                                              | 139,981           | 26,425            |
| A31230 | Pre-payments                                                                             | 3,650             | ( 2,803 )         |
| A31240 | Other current assets                                                                     | 1,368             | 4,134             |
| A32125 | contract liability                                                                       | ( 6,365 )         | 1,627             |
| A32130 | Note payable                                                                             | -                 | ( 48,195 )        |
| A32150 | Accounts payable                                                                         | ( 6,418 )         | ( 81,457 )        |
| A32180 | Other payables                                                                           | ( 75,521 )        | ( 87,352 )        |
| A32230 | Other current liabilities                                                                | <u>16,394</u>     | <u>37</u>         |
| A33000 | Cash from operations                                                                     | 305,830           | 315,978           |
| A33100 | Interest received                                                                        | 3,797             | 530               |
| A33300 | Interest paid                                                                            | ( 49,218 )        | ( 43,359 )        |
| A33500 | Income tax paid                                                                          | ( <u>11,836</u> ) | ( <u>84,995</u> ) |
| AAAA   | Net cash inflows from operating activities                                               | <u>248,573</u>    | <u>188,154</u>    |

(Continued on next page)

(Continued from previous page)

| Code   |                                                         | 2023          | 2022          |
|--------|---------------------------------------------------------|---------------|---------------|
|        | Cash flows from investing activities                    |               |               |
| B01800 | Acquisition of investment using the equity method       | \$ -          | ( \$ 2,500 )  |
| B02700 | Acquisition of property, plant and equipment            | ( 36,747 )    | ( 61,939 )    |
| B02800 | Proceeds from disposal of property, plant and equipment | 35            | 43            |
| B03800 | Increase in guarantee deposits paid                     | ( 3,156 )     | ( 1,844 )     |
| B04500 | Acquisition of intangible assets                        | ( 185 )       | ( 161 )       |
| B06500 | Decrease (increase) in other financial assets           | 9,000         | ( 9,000 )     |
| B07100 | Increase in pre-payments for equipment                  | ( 18,689 )    | ( 48,338 )    |
| BBBB   | Net cash outflows from investing activities             | ( 49,742 )    | ( 123,739 )   |
|        | Cash flows from financing activities                    |               |               |
| C00100 | Increase in short-term bank loans                       | 1,176,937     | 1,774,784     |
| C00200 | Decrease in short-term bank loans                       | ( 1,556,374 ) | ( 1,550,048 ) |
| C00500 | Increase in short-term bills payable                    | 130,000       | 49,600        |
| C00600 | Decrease in net short-term notes payable                | ( 210,399 )   | -             |
| C01200 | Issuance of convertible bonds                           | 545,000       | -             |
| C01600 | Proceeds from long-term bank loans                      | 300,000       | -             |
| C01700 | Repayments of long-term bank loans                      | ( 595,000 )   | ( 90,000 )    |
| C04020 | Repayment of the principal portion of leases            | ( 15,508 )    | ( 15,233 )    |
| C04500 | Cash dividends distributed                              | ( 40,558 )    | ( 237,625 )   |
| C04600 | Issuance of new shares                                  | 399,000       | -             |
| CCCC   | Net cash inflows (outflows) from financing activities   | 133,098       | ( 68,522 )    |
| EEEE   | Net increase (decrease) in cash                         | 331,929       | ( 4,107 )     |
| E00100 | Beginning cash balance                                  | 395,210       | 399,317       |
| E00200 | Year-end cash balance                                   | \$ 727,139    | \$ 395,210    |

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, 2023 and 2022  
(Unless otherwise specified, the amounts are in New Taiwan dollars and foreign currency in thousands.)

I. 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.

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

II. Date and Procedure for Approval of Financial Statements

The standalone financial statements were approved by the Board of Directors on March 12, 2024.

III. 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 2024

| Issued / Amended / Revised Standards and Interpretations                      | Effective Date of IASB Issuance<br>(Note 1) |
|-------------------------------------------------------------------------------|---------------------------------------------|
| Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"               | January 1, 2024 (Note 2)                    |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024                             |
| Amendments to IAS 1 "Non-current Liabilities with Covenants"                  | January 1, 2024                             |
| Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"                | January 1, 2024 (Note 3)                    |

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.

Note 3: Some disclosure requirements are exempted from the first amendment.

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<br>(Note 1) |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | TBD                                         |
| IFRS 17 "Insurance Contracts"                                                                                            | January 1, 2023                             |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                             |
| Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"                                | January 1, 2023                             |
| Amendments to IAS 21 "Lack of Exchangeability"                                                                           | January 1, 2025 (Note 2)                    |

Note 1: Unless 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: This applies to annual reporting periods beginning January 1, 2025. The effect of the first amendment will be recognized in the retained earnings on the date of initial application. When the Company uses non-functional currency as the presentation currency, it will be adjusted as the effect of exchange rate difference of the foreign institutions in equity on the date of initial application.

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.

IV. 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 include financial assets carried at amortized cost and financial assets at fair value through profit or loss.

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

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss, mandatorily measured at fair value, and financial assets designated at fair value through profit or loss. Financial assets at fair value through profit or loss, mandatorily measured at fair value covers investments in equity instruments that are not designated at fair value through other comprehensive income, and investments in debt instruments not qualified to be measured at amortized cost or designated at fair value through other comprehensive income.

For financial assets measured at fair value through profit or loss are designated at fair value, the dividends and interest generated are recognized as other income and interest income respectively, while the gains or losses arising from remeasurement are recognized as other gains and losses. Please refer to Note 26 for the determination of fair value.

(2) 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:

- A. The financial assets are held under an operating model whose objective is to hold financial assets to collect contractual cash flows; and
- B. 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:

- A. 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.
- B. 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.

### Equity Instrument

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual arrangement and the definitions of a financial liability and equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received after deducting direct issue costs.

### 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.

### Convertible bonds

The compound financial instruments (convertible bonds) issued by the Company are based on the substance of the contractual agreement and definitions of financial liabilities and equity instruments, with components classified as financial liabilities and equity on initial recognition.

For the initial recognition, the fair value of the liability component is estimated based on the market interest rate of similar non-convertible instruments and measured at amortized cost using the effective interest method before conversion or maturity. Liability components with embedded non-equity derivative features are measured at fair value.

The conversion right to be classified as equity is equal to the fair value of the compound instrument as a whole less the separately determined fair value for the liability component. When exercising the conversion right, its related liability component and equity amount will be transferred to share capital and capital surplus - premium. If the convertible bonds has not been exercised under conversion right before the maturity date, the amount recognized as equity will be transferred to capital surplus - premium.

Transaction costs related to the issuance of convertible bonds are allocated to the carrying amount of the liability components and equity components (included in equity) in proportion to the allocation of proceeds.

### (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.

V. 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.

For the significant accounting estimates, the Company will take into account possible impacts on cash flow estimates, growth rates, discount rates, profitability and other related major estimates. Management will continue to review estimates and underlying assumptions.

The Company's accounting policies, estimates and underlying assumptions have been evaluated by the Group's management, and no accounting judgments, estimates and assumptions are subject to significant uncertainties.

VI. Cash

|                                        | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------|--------------------------|--------------------------|
| Cash on hand and working capital       | \$ 864                   | \$ 708                   |
| Bank demand deposits                   | <u>726,275</u>           | <u>403,502</u>           |
|                                        | 727,139                  | 404,210                  |
| Less: Other financial assets - current | <u>-</u>                 | ( <u>9,000</u> )         |
|                                        | <u>\$ 727,139</u>        | <u>\$ 395,210</u>        |

Other financial assets represent restricted bank deposits; see Note 28.

VII. Current financial assets at fair value through profit or loss

|                                     | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------|--------------------------|--------------------------|
| <u>Held for trading</u>             |                          |                          |
| Convertible bonds redemption rights | <u>\$ 545</u>            | <u>\$ -</u>              |

VIII. Notes and accounts receivable - non-related parties

|                                               | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------------------------|--------------------------|--------------------------|
| <u>Notes receivable - non related parties</u> |                          |                          |
| Measured at amortized cost                    |                          |                          |
| Total carrying amount                         | \$ 9                     | \$ 1,201                 |
| Less: Allowance for losses                    | <u>-</u>                 | <u>-</u>                 |
|                                               | <u>\$ 9</u>              | <u>\$ 1,201</u>          |

(Continued on next page)

(Continued from previous page)

|                                                  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------------------|--------------------------|--------------------------|
| <u>Accounts receivable - non related parties</u> |                          |                          |
| Measured at amortized cost                       |                          |                          |
| Total carrying amount                            | \$ 189,527               | \$ 308,497               |
| Less: Allowance for losses                       | ( <u>75,021</u> )        | ( <u>15,538</u> )        |
|                                                  | <u>\$ 114,506</u>        | <u>\$ 292,959</u>        |

(I) Notes receivable

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

|             | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------|--------------------------|--------------------------|
| Not overdue | \$ 9                     | \$ 1,201                 |
| Overdue     | <u>-</u>                 | <u>-</u>                 |
|             | <u>\$ 9</u>              | <u>\$ 1,201</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, 2023</u>                                              |                  |                     |                       |                        |                   |
| Expected credit loss rate                                             | 0.01%            | 2%                  | 5%-60%                | 100%                   |                   |
| Total carrying amount                                                 | \$ 82,250        | \$ 30,727           | \$ 5,379              | \$ 71,171              | \$ 189,527        |
| Allowance for losses<br>(expected credit losses<br>over the duration) | ( 8 )            | ( 615 )             | ( 3,227 )             | ( 71,171 )             | ( 75,021 )        |
| Amortized cost                                                        | <u>\$ 82,242</u> | <u>\$ 30,112</u>    | <u>\$ 2,152</u>       | <u>\$ -</u>            | <u>\$ 114,506</u> |
| <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<br>(expected credit losses<br>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> |

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

|                                         | 2023             | 2022             |
|-----------------------------------------|------------------|------------------|
| Balance at the beginning of the year    | \$ 15,538        | \$ 6,606         |
| Impairment loss recognized for the year | <u>59,483</u>    | <u>8,932</u>     |
| Balance at the end of the year          | <u>\$ 75,021</u> | <u>\$ 15,538</u> |

IX. Inventories

|                 | December 31, 2023 | December 31, 2022 |
|-----------------|-------------------|-------------------|
| Finished goods  | \$ 2,356          | \$ 35,943         |
| Work in process | 38,957            | 50,438            |
| Raw materials   | <u>19,358</u>     | <u>104,390</u>    |
|                 | <u>\$ 60,671</u>  | <u>\$ 190,771</u> |

Costs of goods sold are as follows:

|                                                                            | 2023              | 2022                |
|----------------------------------------------------------------------------|-------------------|---------------------|
| Cost of inventories sold                                                   | \$ 812,129        | \$ 1,039,726        |
| Loss on inventory valuation falling and<br>obsolescence (gain on recovery) | ( 9,881 )         | 18,721              |
| Unallocated manufacturing costs                                            | <u>68,970</u>     | <u>41,257</u>       |
|                                                                            | <u>\$ 871,218</u> | <u>\$ 1,099,704</u> |

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

X. Investments accounted for using the equity method

|                                    | December 31, 2023   | December 31, 2022   |
|------------------------------------|---------------------|---------------------|
| Investments in subsidiaries        | \$ 1,258,828        | \$ 1,317,700        |
| Investment in Affiliated Companies | <u>688</u>          | <u>1,318</u>        |
|                                    | <u>\$ 1,259,516</u> | <u>\$ 1,319,018</u> |

(I) Investments in subsidiaries

|                                    | December 31, 2023  |     | December 31, 2022  |     |
|------------------------------------|--------------------|-----|--------------------|-----|
| Name of investee company           | Amount             | %   | Amount             | %   |
| Mosa Safety System Corp.<br>(Mosa) | <u>\$1,258,828</u> | 100 | <u>\$1,317,700</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, 2023 | December 31, 2022 |
|---------------------------------------|-------------------|-------------------|
| Individually insignificant affiliates | <u>\$ 688</u>     | <u>\$ 1,318</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.

XI. Property, Plant and Equipment

| 2023                                 | Buildings           | Machinery and equipment | Transportation equipment | Office equipment | Other equipment     | Total               |
|--------------------------------------|---------------------|-------------------------|--------------------------|------------------|---------------------|---------------------|
| <u>Cost</u>                          |                     |                         |                          |                  |                     |                     |
| Balance at the beginning of the year | \$ 2,001,853        | \$ 3,261,081            | \$ 4,634                 | \$ 24,612        | \$ 967,436          | \$ 6,259,616        |
| Addition                             | 1,670               | 4,055                   | -                        | 194              | 30,828              | 36,747              |
| Disposal                             | -                   | ( 89,634 )              | -                        | -                | ( 1,001 )           | ( 90,635 )          |
| Reclassification                     | <u>7,081</u>        | <u>17,052</u>           | <u>-</u>                 | <u>-</u>         | <u>47,268</u>       | <u>71,401</u>       |
| Balance at the end of the year       | <u>\$ 2,010,604</u> | <u>\$ 3,192,554</u>     | <u>\$ 4,634</u>          | <u>\$ 24,806</u> | <u>\$ 1,044,531</u> | <u>\$ 6,277,129</u> |
| <u>Accumulated depreciation</u>      |                     |                         |                          |                  |                     |                     |
| Balance at the beginning of the year | \$ 412,112          | \$ 1,695,659            | \$ 3,720                 | \$ 19,327        | \$ 603,515          | \$ 2,734,333        |
| Depreciation                         | 40,645              | 189,701                 | 400                      | 1,147            | 68,589              | 300,482             |
| Disposal                             | -                   | ( 72,196 )              | -                        | -                | ( 1,001 )           | ( 73,197 )          |
| Reclassification                     | <u>-</u>            | <u>-</u>                | <u>-</u>                 | <u>-</u>         | <u>-</u>            | <u>-</u>            |
| Balance at the end of the year       | <u>\$ 452,757</u>   | <u>\$ 1,813,164</u>     | <u>\$ 4,120</u>          | <u>\$ 20,474</u> | <u>\$ 671,103</u>   | <u>\$ 2,961,618</u> |
| Net amount at the end of the year    | <u>\$ 1,557,847</u> | <u>\$ 1,379,390</u>     | <u>\$ 514</u>            | <u>\$ 4,332</u>  | <u>\$ 373,428</u>   | <u>\$ 3,315,511</u> |

| 2022                                 | Buildings           | Machinery and equipment | Transportation equipment | Office equipment | Other equipment   | Total               |
|--------------------------------------|---------------------|-------------------------|--------------------------|------------------|-------------------|---------------------|
| <u>Cost</u>                          |                     |                         |                          |                  |                   |                     |
| Balance at the beginning of the year | \$ 2,001,683        | \$ 3,098,059            | \$ 6,855                 | \$ 24,417        | \$ 894,966        | \$ 6,025,980        |
| Addition                             | 170                 | 36,230                  | -                        | 195              | 25,344            | 61,939              |
| Disposal                             | -                   | -                       | ( 2,221 )                | -                | -                 | ( 2,221 )           |
| Reclassification                     | -                   | 126,792                 | -                        | -                | 47,126            | 173,918             |
| Balance at the end of the year       | <u>\$ 2,001,853</u> | <u>\$ 3,261,081</u>     | <u>\$ 4,634</u>          | <u>\$ 24,612</u> | <u>\$ 967,436</u> | <u>\$ 6,259,616</u> |
| <u>Accumulated depreciation</u>      |                     |                         |                          |                  |                   |                     |
| Balance at the beginning of the year | 371,695             | \$ 1,507,930            | \$ 5,521                 | \$ 17,650        | \$ 539,876        | 2,442,672           |
| Depreciation                         | 40,417              | 187,729                 | 420                      | 1,677            | 63,639            | 293,882             |
| Disposal                             | -                   | -                       | ( 2,221 )                | -                | -                 | ( 2,221 )           |
| Balance at the end of the year       | <u>\$ 412,112</u>   | <u>\$ 1,695,659</u>     | <u>\$ 3,720</u>          | <u>\$ 19,327</u> | <u>\$ 603,515</u> | <u>\$ 2,734,333</u> |
| Net amount at the end of the year    | <u>\$ 1,589,741</u> | <u>\$ 1,565,422</u>     | <u>\$ 914</u>            | <u>\$ 5,285</u>  | <u>\$ 363,921</u> | <u>\$ 3,525,283</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 28.

## XII. Lease Agreements

### (I) Right-of-use assets

|                                             | December 31, 2023   | December 31, 2022   |
|---------------------------------------------|---------------------|---------------------|
| Carrying amount of right-to-use assets      |                     |                     |
| Land                                        | <u>\$ 1,036,552</u> | <u>\$ 1,059,629</u> |
| Depreciation expense on right-of-use assets |                     |                     |
| Land                                        | <u>\$ 23,077</u>    | <u>\$ 23,077</u>    |

### (II) Lease liabilities

|                                      | December 31, 2023   | December 31, 2022   |
|--------------------------------------|---------------------|---------------------|
| Carrying amount of lease liabilities |                     |                     |
| Current                              | <u>\$ 15,785</u>    | <u>\$ 15,507</u>    |
| Non-current                          | <u>\$ 1,061,314</u> | <u>\$ 1,077,100</u> |

The discount rates for lease liabilities are as follows:

|      | December 31, 2023 | December 31, 2022 |
|------|-------------------|-------------------|
| 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

|                                | 2023      | 2022      |
|--------------------------------|-----------|-----------|
| Short-term lease payments      | \$ 280    | \$ 281    |
| Total cash outflow from leases | \$ 35,105 | \$ 35,106 |

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.

XIII. Investment properties

| 2023                            | Balance at the<br>beginning of the<br>year | Increase during<br>the year | Reclassification | Balance at the<br>end of the year |
|---------------------------------|--------------------------------------------|-----------------------------|------------------|-----------------------------------|
| <u>Cost</u>                     |                                            |                             |                  |                                   |
| Buildings                       | \$ 785,508                                 | \$ -                        | \$ -             | \$ 785,508                        |
| <u>Accumulated depreciation</u> |                                            |                             |                  |                                   |
| Buildings                       | 123,908                                    | \$ 15,720                   | \$ -             | 139,628                           |
| Net amount                      | \$ 661,600                                 |                             |                  | \$ 654,880                        |
| 2022                            |                                            |                             |                  |                                   |
| <u>Cost</u>                     |                                            |                             |                  |                                   |
| Buildings                       | \$ 785,508                                 | \$ -                        | \$ -             | \$ 785,508                        |
| <u>Accumulated depreciation</u> |                                            |                             |                  |                                   |
| Buildings                       | 108,188                                    | \$ 15,720                   | \$ -             | 123,908                           |
| Net amount                      | \$ 677,320                                 |                             |                  | \$ 661,600                        |

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:

|          | December 31, 2023 | December 31, 2022 |
|----------|-------------------|-------------------|
| 1st year | \$ 15,445         | \$ 15,445         |
| 2nd year | 15,445            | 15,445            |
| 3rd year | -                 | 15,445            |
|          | <u>\$ 30,890</u>  | <u>\$ 46,335</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\$877,706 thousand and NT\$921,994 thousand as of December 31, 2023 and 2022, respectively.

#### XIV. Intangible Assets

| 2023                                 | Trademark Rights | Patents         | Computer Software | Total           |
|--------------------------------------|------------------|-----------------|-------------------|-----------------|
| <u>Cost</u>                          |                  |                 |                   |                 |
| Balance at the beginning of the year | \$ 3,867         | \$ 2,534        | \$ 7,929          | \$ 14,330       |
| Individually acquired                | <u>26</u>        | <u>75</u>       | <u>84</u>         | <u>185</u>      |
| Balance at the end of the year       | <u>3,893</u>     | <u>2,609</u>    | <u>8,013</u>      | <u>14,515</u>   |
| <u>Accumulated Amortization</u>      |                  |                 |                   |                 |
| Balance at the beginning of the year | 2,172            | 1,282           | 6,493             | 9,947           |
| Amortization expenses                | <u>337</u>       | <u>104</u>      | <u>532</u>        | <u>973</u>      |
| Balance at the end of the year       | <u>2,509</u>     | <u>1,386</u>    | <u>7,025</u>      | <u>10,920</u>   |
| Net amount at the end of the year    | <u>\$ 1,384</u>  | <u>\$ 1,223</u> | <u>\$ 988</u>     | <u>\$ 3,595</u> |
| 2022                                 |                  |                 |                   |                 |
| <u>Cost</u>                          |                  |                 |                   |                 |
| Balance at the beginning of the year | \$ 3,867         | \$ 2,534        | \$ 7,768          | \$ 14,169       |
| Individually acquired                | <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> |

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

|                   |                |
|-------------------|----------------|
| Trademark Rights  | 10 to 15 years |
| Patents           | 9 to 20 years  |
| Computer Software | 5 to 7 years   |

XV. Borrowings

(I) Short-term bank loans

|                                 | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|--------------------------|--------------------------|
| <u>Unsecured Borrowing</u>      |                          |                          |
| Credit borrowing                | \$ 150,000               | \$ 500,000               |
| Letter of credit borrowing      | <u>60,840</u>            | <u>90,277</u>            |
|                                 | <u>\$ 210,840</u>        | <u>\$ 590,277</u>        |
| <u>Annual interest rate (%)</u> |                          |                          |
| Credit borrowing                | 1.78-1.99                | 1.450-1.89               |
| Letter of credit borrowing      | 1.80-2.10                | 1.460-1.945              |

(II) Short-term bills payable

|                                            | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------------|--------------------------|--------------------------|
| Commercial papers payable                  | \$ -                     | \$ 80,000                |
| Less: discount on short-term bills payable | <u>-</u>                 | <u>( 162 )</u>           |
|                                            | <u>\$ -</u>              | <u>\$ 79,838</u>         |
| <u>Annual interest rate (%)</u>            | -                        | 1.8899-1.938             |

(III) Long-term bank loans

|                                                                 | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------------------------------------------|--------------------------|--------------------------|
| Guaranteed borrowing - due between March 2029 and November 2032 | \$ 1,020,000             | \$ 1,295,000             |
| Credit borrowing - due in December 2024                         | <u>40,000</u>            | <u>60,000</u>            |
|                                                                 | 1,060,000                | 1,355,000                |
| Less: parts recognized as due within 1 year                     | <u>( 100,000 )</u>       | <u>( 130,000 )</u>       |
|                                                                 | <u>\$ 960,000</u>        | <u>\$ 1,225,000</u>      |
| <u>Annual interest rate (%)</u>                                 | 2.003-2.203              | 1.751-1.951              |

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 Company's plants; see Note 28.

XVI. Bonds payable

|                                      | <u>December 31, 2023</u> |
|--------------------------------------|--------------------------|
| Domestic unsecured convertible bonds | <u>\$ 523,906</u>        |

The Company publicly issued 3-year domestic unsecured convertible bonds at face value on September 26, 2023, with total amount of issuance of NT\$550,000, coupon rate of 0%, while the maturity date is September 26, 2026. From the end of a designated period of time following the issue date of convertible corporate bonds (December 27, 2023) until the maturity date (September 26, 2026), the bondholder may request for conversion to the Company's common shares at any time in accordance with the procedures for conversion set by the issuer, except during the period in which transfer is suspended by laws related to bond conversion. The conversion price had been set at NT\$27 per share at the time of issuance, and adjusted thereafter according to the price adjustment equation stipulated by laws related to bond conversion. Three months after the issuance of convertible bonds (December 27, 2023) until forty days before the end of a designated period of time following the issuance date of convertible corporate bonds (August 17, 2026), if the closing price of the Company's common shares exceeds 30%(inclusive) of the conversion price for 30 consecutive business days, or the amount of issued convertible bonds outstanding is less than 10% of the total amount issued, the Company may redeem the bonds in cash based on the face value.

The Company's bond repayment shall be based on the bond's face value within ten business days from the maturity date of convertible bonds and interest premium, which is 101.5075% face value (actual annual bond yield of 0.5%), repaid in cash in one lump sum.

This convertible bond covers liability and equity components. The equity component is recognized as capital surplus-share options under equity; on initial recognition the liability component has 1.78% effective interest rate.

The changes in the master agreement from the issue date to December 31, 2023 are as follows:

|                                                                                     |                   |
|-------------------------------------------------------------------------------------|-------------------|
| Issuance proceeds (minus transaction costs of NT\$5,000 thousand)                   | \$ 545,000        |
| Equity component (excluding NT\$393 thousand transaction costs allocated to equity) | ( 24,089 )        |
| Derivatives of redemption rights                                                    | <u>545</u>        |
| Debt components on the issue date                                                   | 521,456           |
| Discount amortization for the year                                                  | <u>2,450</u>      |
| Balance at the end of the year                                                      | <u>\$ 523,906</u> |

XVII. Other payables

|                                                 | December 31, 2023 | December 31, 2022 |
|-------------------------------------------------|-------------------|-------------------|
| Salaries and bonuses payable                    | \$ 21,704         | \$ 29,471         |
| Compensation payable to employees and directors | 12,805            | 19,062            |
| Payables for equipment and construction         | 7,239             | 34,480            |
| Processing fees payable                         | 1,023             | 3,155             |
| Others                                          | 51,032            | 82,530            |
|                                                 | <u>\$ 93,803</u>  | <u>\$ 168,698</u> |

XVIII. 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.

XIX. Equity

(I) Common stock

|                                                       | December 31, 2023   | December 31, 2022   |
|-------------------------------------------------------|---------------------|---------------------|
| 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>202,788</u>      | <u>182,788</u>      |
| Issued share capital                                  | <u>\$ 2,027,883</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.

By resolution of the board of directors in November 2022, the Company's cash capital increase include new shares issuance of 20,000 shares, with a par value of NT\$10 per share and premium of NT\$20 per share. The record date for the capital increase was in March 30, 2023.

(II) Capital surplus

|                                                                     | December 31, 2023   | December 31, 2022   |
|---------------------------------------------------------------------|---------------------|---------------------|
| <u>May be used to make up losses, pay cash or capitalize (Note)</u> |                     |                     |
| Stock issuance premium                                              | \$ 1,962,093        | \$ 1,763,093        |
| Transfer from employee stock option exercise                        | 84,715              | 76,082              |
| Expired employee stock options                                      | 15,505              | 15,505              |
| <u>Not required for any accounting purpose</u>                      |                     |                     |
| Convertible bonds stock options                                     | 24,089              | -                   |
|                                                                     | <u>\$ 2,086,402</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 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 2022 and 2021 is as follows:

|                                 | 2022     | 2021      |
|---------------------------------|----------|-----------|
| Legal reserves                  | \$ 5,580 | \$ 31,980 |
| Special reserves (reversal)     | ( 56 )   | 28        |
| Cash dividends                  | 40,558   | 237,625   |
| Cash dividends per share (NT\$) | 0.2      | 1.3       |

The above cash dividends were resolved by the board of directors in May 2023 and March 2022, and the remaining distributions for fiscal 2022 and 2021 were approved by the shareholders at their regular meetings in June 2023 and May 2022.

The make up of the Company's loss in 2023 is subject to the resolution of the proposed board of directors' meeting in March 2024 and the shareholders' meeting scheduled to be held in May 2024.

XX. Revenue

|               | <u>2023</u>       | <u>2022</u>         |
|---------------|-------------------|---------------------|
| Sales revenue | \$ <u>742,992</u> | \$ <u>1,237,214</u> |

(I) Remaining balance of contract

|                                          | <u>December 31, 2023</u> | <u>December 31, 2022</u> | <u>January 1, 2022</u> |
|------------------------------------------|--------------------------|--------------------------|------------------------|
| Notes receivable and accounts receivable | \$ <u>114,532</u>        | \$ <u>294,160</u>        | \$ <u>390,640</u>      |
| Contract liabilities - Current           |                          |                          |                        |
| Product sales                            | \$ <u>5,937</u>          | \$ <u>12,302</u>         | \$ <u>10,675</u>       |

Contract liability mainly arises from the difference between the time performance obligations are met and the time of payment from customers.

(II) Details of revenue from contracts with customers

|                           | <u>2023</u>       | <u>2022</u>         |
|---------------------------|-------------------|---------------------|
| High-pressure gas charger | \$ 670,567        | \$ 1,194,379        |
| Others                    | <u>72,425</u>     | <u>42,835</u>       |
|                           | \$ <u>742,992</u> | \$ <u>1,237,214</u> |

XXI. Net income of the current year

(I) Other revenues

|                 | <u>2023</u>      | <u>2022</u>      |
|-----------------|------------------|------------------|
| Rent revenue    | \$ 17,075        | \$ 16,575        |
| Subsidy revenue | 2,948            | 2,039            |
| Others          | <u>48,827</u>    | <u>35,319</u>    |
|                 | \$ <u>68,850</u> | \$ <u>53,933</u> |

(II) Other gains and losses

|                                                              | <u>2023</u>          | <u>2022</u>          |
|--------------------------------------------------------------|----------------------|----------------------|
| Net foreign currency exchange gains (losses)                 | \$ 3,272             | \$ 22,690            |
| Gains (losses) from disposal of property plant and equipment | ( 17,403 )           | 43                   |
| Others                                                       | ( <u>54,355</u> )    | ( <u>47,127</u> )    |
|                                                              | ( \$ <u>68,486</u> ) | ( \$ <u>24,394</u> ) |

(III) Financial costs

|                                                    | 2023             | 2022             |
|----------------------------------------------------|------------------|------------------|
| Interest on bank loans                             | \$ 32,491        | \$ 26,571        |
| Interest on lease liabilities                      | 19,317           | 19,591           |
| Interest on bonds                                  | <u>3,168</u>     | <u>-</u>         |
|                                                    | 54,976           | 46,162           |
| Less: Amount included in cost of qualifying assets | ( <u>2,173</u> ) | ( <u>2,053</u> ) |
|                                                    | <u>\$ 52,803</u> | <u>\$ 44,109</u> |
| Amount of interest capitalized                     | \$ 2,173         | \$ 2,053         |
| Rate of interest capitalization (%)                | 1.809-2.118      | 1.258-1.817      |

(IV) Depreciation and amortization

|                                              | 2023              | 2022              |
|----------------------------------------------|-------------------|-------------------|
| Property, Plant and Equipment                | \$ 300,482        | \$ 293,882        |
| Right-of-use assets                          | 23,077            | 23,077            |
| Investment properties                        | 15,720            | 15,720            |
| Intangible Assets                            | <u>973</u>        | <u>1,429</u>      |
|                                              | <u>\$ 340,252</u> | <u>\$ 334,108</u> |
| Depreciation expenses summarized by function |                   |                   |
| Operating costs                              | \$ 304,911        | \$ 299,744        |
| Operating expenses                           | 18,648            | 17,215            |
| Non-operating expenses                       | <u>15,720</u>     | <u>15,720</u>     |
|                                              | <u>\$ 339,279</u> | <u>\$ 332,679</u> |
| Amortization expenses summarized by function |                   |                   |
| Operating expenses                           | <u>\$ 973</u>     | <u>\$ 1,429</u>   |

(V) Employee Benefit Expenses

|                                     | 2023              |                    |                   | 2022              |                    |                   |
|-------------------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
|                                     | Operating costs   | Operating expenses | T o t a l         | Operating costs   | Operating expenses | T o t a l         |
| Salary expenses                     | \$ 80,641         | \$ 34,933          | \$ 115,574        | \$ 111,967        | \$ 37,320          | \$ 149,287        |
| Labor and health insurance expenses | 9,483             | 3,485              | 12,968            | 12,027            | 3,824              | 15,851            |
| Pension expenses                    | 3,546             | 1,643              | 5,189             | 4,159             | 1,687              | 5,846             |
| Directors' remuneration             | -                 | 4,032              | 4,032             | -                 | 5,450              | 5,450             |
| Other Employee Benefits             | <u>7,642</u>      | <u>4,795</u>       | <u>12,437</u>     | <u>9,291</u>      | <u>3,880</u>       | <u>13,171</u>     |
| Total Employee Benefit Expenses     | <u>\$ 101,312</u> | <u>\$ 48,888</u>   | <u>\$ 150,200</u> | <u>\$ 137,444</u> | <u>\$ 52,161</u>   | <u>\$ 189,605</u> |

The number of employees of the Company for the years 2023 and 2022 is 261 and 305, respectively, of which the number of directors who do not concurrently serve as employees is 5.

The average employee benefit expenses for 2023 and 2022 were NT\$571 thousand and NT\$614 thousand, respectively; the average employee salary expenses for 2023 and 2022 were NT\$451 thousand and NT\$498 thousand, respectively, and the change in the average employee salary expenses was 9%.

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. Given pretax loss in 2023, the remuneration for employees and directors were not allocated. Remuneration for employees and directors for 2022 was resolved by the Board of Directors in March 2023 as follows:

| Cash                    | 2022                 |          |
|-------------------------|----------------------|----------|
|                         | Estimated percentage | Amount   |
| Employees' remuneration | 5%                   | \$ 2,927 |
| Directors' remuneration | 1.5%                 | 878      |

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 2022 and 2021 and the amount recognized in the standalone financial statements for 2022 and 2021.

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.

XXII. Income Tax

(I) Income tax recognized as profit or loss

The major components of income tax gains are as follows:

|                                                      | 2023          | 2022         |
|------------------------------------------------------|---------------|--------------|
| Current income tax                                   |               |              |
| Incurred during the year                             | \$ -          | \$ 2,372     |
| Additional surtax on undistributed retained earnings | 486           | 2,509        |
| Adjustments for prior years                          | ( 18,804 )    | ( 4,184 )    |
| Deferred income tax                                  |               |              |
| Incurred during the year                             | ( 25,027 )    | ( 1,761 )    |
| Income tax gains recognized as profit or loss        | ( \$ 43,345 ) | ( \$ 1,064 ) |

The reconciliation of accounting income to income tax gains is as follows:

|                                                           | 2023          | 2022         |
|-----------------------------------------------------------|---------------|--------------|
| Income tax on pretax profit (loss) at statutory rate      | ( \$ 82,881 ) | \$ 10,948    |
| Non-deductible expenses for tax purposes                  | 893           | 668          |
| Tax-exempt income                                         | -             | ( 12,457 )   |
| Additional surtax on undistributed retained earnings      | 486           | 2,509        |
| Unrecognized deductible temporary differences             | ( 988 )       | 1,872        |
| Credit for investments offset during the year             | -             | ( 420 )      |
| Adjustments to current income tax expenses in prior years | ( 18,804 )    | ( 4,184 )    |
| Unrecognized loss carryforward                            | 57,949        | -            |
| Income tax gains recognized as profit or loss             | ( \$ 43,345 ) | ( \$ 1,064 ) |

(II) Deferred income tax assets and liabilities

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

| 2023                                                      | 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                   | \$ 3,397                             | ( \$ 988 )                   | \$ 2,409                       |
| Allowance for losses                                      | 2,488                                | 12,137                       | 14,625                         |
| Loss on investments accounted for using the equity method | -                                    | 11,873                       | 11,873                         |
| Unrealized exchange loss                                  | -                                    | 677                          | 677                            |
| Others                                                    | 1,096                                | ( 107 )                      | 989                            |
|                                                           | \$ 6,981                             | \$ 23,592                    | \$ 30,573                      |
| <u>Deferred income tax liabilities</u>                    |                                      |                              |                                |
| Temporary differences                                     |                                      |                              |                                |
| Unrealized exchange gain                                  | \$ 1,435                             | ( \$ 1,435 )                 | \$ -                           |

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

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

As of December 31, 2023 and 2022, the total amount of deductible temporary differences on unrecognized deferred income tax assets was NT\$12,046 thousand and NT\$16,986 thousand, respectively.

As of December 31, 2023, the amount of unrecognized loss carryforwards for deferred income tax assets was NT\$289,748 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 2021.

### XXIII. Earnings (loss) per share

|                                                          | <u>Net income (loss)<br/>attributable to<br/>owners of the<br/>company</u> | <u>Number of shares<br/>(thousand shares)</u> | <u>Earnings (loss)<br/>per share (NT\$)</u> |
|----------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------|
| <u>2023</u>                                              |                                                                            |                                               |                                             |
| Basic loss per share                                     |                                                                            |                                               |                                             |
| Net loss attributable to owners of<br>the company        | <u>( \$ 371,062 )</u>                                                      | <u>197,966</u>                                | <u>( \$ 1.87 )</u>                          |
| <u>2022</u>                                              |                                                                            |                                               |                                             |
| Basic earnings per share                                 |                                                                            |                                               |                                             |
| Net income attributable to owners<br>of the company      | \$ 55,802                                                                  | 182,788                                       | <u>\$ 0.31</u>                              |
| Effect of potential common stock with<br>dilution effect |                                                                            |                                               |                                             |
| Employee compensation and<br>stock options               | <u>-</u>                                                                   | <u>229</u>                                    |                                             |
| Diluted earnings per share                               |                                                                            |                                               |                                             |
| Net income attributable to owners<br>of the company      |                                                                            |                                               |                                             |
| Addition of the effect of<br>potential common stock      | <u>\$ 55,802</u>                                                           | <u>183,017</u>                                | <u>\$ 0.30</u>                              |

The Group incurred net loss in 2023, as the diluted loss per share generated from the employee

compensation, stock options and conversion of convertible bonds is anti-dilutive, it shall be excluded from the computation of diluted loss per share.

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.

XXIV. Share-Based Payment Agreement

Proceeds from issuing shares and employee stock ownership

The Company's board of directors approved the proceeds from issuing new shares in November 2022, and reserved 3,000 shares for employee stock ownership in accordance with the Company Act. Upon under subscription or cancellation of subscription rights of the employee, the chairman is authorized to contact designated personnel for the subscription of shares.

In February 2023, the Company adopted the Black-Scholes-Merton option pricing model for the proceeds from issuing shares and employee stock ownership. The input values in the pricing model are as follows:

|                           | February 6, 2023 |
|---------------------------|------------------|
| Stock price on grant date | NT\$24.85        |
| Execution price           | NT\$20           |
| Forecast volatility       | 32.79%           |
| Duration                  | 47 days          |
| Risk-free rate            | 0.75%            |

In 2023, the Company's proceeds from issuing shares and employee stock ownership resulted in recognition of remuneration costs of NT\$8,633 thousand.

XXV. 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 regular 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.

XXVI. Financial Instruments

(I) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

|                                                       | Level 1 | Level 2 | Level 3 | Total  |
|-------------------------------------------------------|---------|---------|---------|--------|
| <u>December 31, 2023</u>                              |         |         |         |        |
| Financial assets at fair value through profit or loss |         |         |         |        |
| Domestic convertible bonds redemption rights          | \$ -    | \$ 545  | \$ -    | \$ 545 |

2. Valuation techniques and inputs of Level 2 fair value measurements

| <u>Types of financial instruments</u> | <u>Valuation techniques and inputs</u>                                                                                                                                                   |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Convertible bonds redemption rights   | Evaluated using the binary tree method for convertible bond pricing model based on conversion price volatility, risk-free interest rate, risk discount rate and remaining years of life. |

(II) Types of financial instruments

|                                                       | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------------------|--------------------------|--------------------------|
| <u>Financial Assets</u>                               |                          |                          |
| Financial assets at fair value through profit or loss | \$ 545                   | \$ -                     |
| Financial assets measured at amortized cost (Note 1)  | 853,234                  | 709,673                  |
| <u>Financial Liabilities</u>                          |                          |                          |
| Measured at amortized cost (Note 2)                   | 1,926,864                | 2,246,699                |

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, bonds payable, long-term bank loans (including those due within one year) and guarantee deposits.

(III) Financial risk management objectives and policies

The Company's major financial instruments include accounts receivable, accounts payable, bank loans, bonds payable 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 30.

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 (loss) 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 (loss) or equity before tax will be the same negative amount.

Currency effects on profit or loss

|     | 2023     | 2022     |
|-----|----------|----------|
| USD | \$ 1,028 | \$ 1,934 |
| RMB | 724      | 388      |
| EUR | 645      | 1,151    |

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:

|                               | December 31, 2023 | December 31, 2022 |
|-------------------------------|-------------------|-------------------|
| Fair value interest rate risk |                   |                   |
| Financial Assets              | \$ 545            | \$ -              |
| Financial Liabilities         | 531,273           | 309,838           |
| Lease liabilities             | 1,077,099         | 1,092,607         |
| Cash flow interest rate risk  |                   |                   |
| Financial Assets              | 726,275           | 403,502           |
| Financial Liabilities         | 1,263,473         | 1,715,277         |

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 (loss) will change by NT\$1,343 thousand and NT\$3,279 thousand in 2023 and 2022, 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, 2023 and 2022, the ratio of total accounts receivable from the aforementioned customers was 65% and 51%, 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.

|                                  | 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, 2023</u>         |                     |                     |                   |                   |                   |                   |
| Non-interest-bearing liabilities | \$ 132,108          | \$ 10               | \$ -              | \$ -              | \$ -              | \$ -              |
| Lease liabilities                | 34,825              | 139,298             | 174,123           | 174,123           | 174,123           | 867,714           |
| Floating rate instruments        | 310,840             | 840,000             | 120,000           | -                 | -                 | -                 |
| Fixed rate instruments           | 7,367               | 523,906             | -                 | -                 | -                 | -                 |
|                                  | <u>\$ 485,140</u>   | <u>\$ 1,503,214</u> | <u>\$ 294,123</u> | <u>\$ 174,123</u> | <u>\$ 174,123</u> | <u>\$ 867,714</u> |
| <u>December 31, 2022</u>         |                     |                     |                   |                   |                   |                   |
| Non-interest-bearing liabilities | \$ 221,574          | \$ 10               | \$ -              | \$ -              | \$ -              | \$ -              |
| Lease liabilities                | 34,825              | 139,298             | 174,123           | 174,123           | 174,123           | 902,539           |
| Floating rate instruments        | 490,277             | 925,000             | 300,000           | -                 | -                 | -                 |
| Fixed rate instruments           | 309,838             | -                   | -                 | -                 | -                 | -                 |
|                                  | <u>\$ 1,056,514</u> | <u>\$ 1,064,308</u> | <u>\$ 474,123</u> | <u>\$ 174,123</u> | <u>\$ 174,123</u> | <u>\$ 902,539</u> |

(2) Bank financing lines

|               | December 31, 2023   | December 31, 2022   |
|---------------|---------------------|---------------------|
| Amount used   | \$ 1,270,840        | \$ 2,025,115        |
| Amount unused | 849,160             | 629,885             |
|               | <u>\$ 2,120,000</u> | <u>\$ 2,655,000</u> |

XXVII. 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

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

(II) Business Transactions

1. Receivables from Related Parties

| Account Item        | Related Party<br>Category/Name | December 31, 2023 | December 31, 2022 |
|---------------------|--------------------------------|-------------------|-------------------|
| Other receivables   | Mosa                           | \$ 4,132          | \$ 5,442          |
| Accounts receivable | Mosa                           | 17                | -                 |
|                     |                                | <u>\$ 4,149</u>   | <u>\$ 5,442</u>   |

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<br>Category/Name | 2023      | 2022      |
|----------------|--------------------------------|-----------|-----------|
| Other revenues | Mosa                           | \$ 38,149 | \$ 30,268 |

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, 2023 and 2022, operating lease receivables (recorded as other receivables) amounted to NT\$1,351 thousand and future lease payments to be received totaled NT\$30,889 thousand and NT\$46,335 thousand, respectively. The lease revenue recognized in both 2023 and 2022 was NT\$15,445 thousand.

(III) Key Management Compensation

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

|                              | 2023             | 2022             |
|------------------------------|------------------|------------------|
| Short-Term Employee Benefits | \$ 22,414        | \$ 36,909        |
| Post-Employment Benefits     | 567              | 586              |
| Share-Based Payments         | 671              | -                |
|                              | <u>\$ 23,652</u> | <u>\$ 37,495</u> |

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

XXVIII. Assets Pledged as Collateral

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

|                                                                                        | December 31, 2023   | December 31, 2022   |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| Property, Plant and Equipment                                                          | \$ 2,156,612        | \$ 2,210,329        |
| Restricted bank demand deposits<br>(recognized in other financial assets -<br>current) | -                   | 9,000               |
|                                                                                        | <u>\$ 2,156,612</u> | <u>\$ 2,219,329</u> |

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (I) As of December 31, 2023 and 2022, the Company had unused letters of credit amounting to NT\$6,013 thousand and NT\$0, respectively.
- (II) The Company has unrecognized contractual commitments as follows:

|                                                 | December 31, 2023 | December 31, 2022 |
|-------------------------------------------------|-------------------|-------------------|
| Acquisition of property, plant and<br>equipment | <u>\$ 8,695</u>   | <u>\$ 33,793</u>  |

XXX. 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, 2023   |                   |                    | December 31, 2022   |                   |                    |         |
|-------------------------------------|---------------------|-------------------|--------------------|---------------------|-------------------|--------------------|---------|
|                                     | Foreign<br>currency | Exchan<br>ge rate | Carrying<br>amount | Foreign<br>currency | Exchan<br>ge rate | Carrying<br>amount |         |
| <u>Monetary items</u>               |                     |                   |                    |                     |                   |                    |         |
| USD (USD:NTD)                       | \$                  | 3,515             | 30.705             | \$                  | 107,928           | \$                 | 200,966 |
| RMB (RMB:NTD)                       |                     | 16,795            | 4.327              |                     | 72,672            |                    | 39,156  |
| EUR (EUR:NTD)                       |                     | 1,923             | 33.98              |                     | 65,344            |                    | 117,890 |
| <u>Foreign currency liabilities</u> |                     |                   |                    |                     |                   |                    |         |
| <u>Monetary items</u>               |                     |                   |                    |                     |                   |                    |         |
| USD (USD:NTD)                       |                     | 168               | 30.705             |                     | 5,158             |                    | 7,585   |
| RMB (RMB:NTD)                       |                     | 54                | 4.327              |                     | 234               |                    | 326     |
| EUR (EUR:NTD)                       |                     | 26                | 33.98              |                     | 883               |                    | 2,814   |

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

| Foreign currency | 2023             |                             | 2022             |                             |
|------------------|------------------|-----------------------------|------------------|-----------------------------|
|                  | Exchange rate    | Net exchange (losses) gains | Exchange rate    | Net exchange (losses) gains |
| USD              | 31.155 (USD:NTD) | \$ 438                      | 29.805 (USD:NTD) | \$ 16,298                   |
| RMB              | 4.396 (RMB:NTD)  | ( 1,030)                    | 4.422 (RMB:NTD)  | 328                         |
| EUR              | 33.70 (EUR:NTD)  | 3,755                       | 31.36 (EUR:NTD)  | 5,672                       |

XXXI. 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: Note 7.
- Information on investee companies: Schedule 5.

(III) Information on Investments in Mainland China

1. 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, 2023

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           | \$ 111,125 (RMB 25,000)     | \$ 64,905 (RMB 15,000)         | \$ -                      | -                   | Business dealings | \$ 471,335                  | Working capital                              | \$ -                 | —           | \$ -  | \$ 503,111 (Note 1)                               | \$ 503,111 (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. Limit of lending of funds to the individual party shall not exceed the total limit of lending.

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, 2023

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

| No. | Guarantor<br>Name of<br>Company | Subject of Endorsement/Guarantee |              | Limit of<br>Endorsement and<br>Guarantee for a<br>Single Company<br>(Note 1) | Maximum<br>Endorsement and<br>Guarantee Balance<br>for the Year | Endorsement and<br>Guarantee Balance<br>at the End of the<br>Year | Actual Expenditure<br>Amount | Amount of<br>Endorsement and<br>Guarantee with<br>Property as<br>Collateral | Ratio of<br>Accumulated<br>Endorsement and<br>Guarantee to Net<br>Financial<br>Statements for the<br>Year | Maximum<br>Endorsement<br>and Guarantee<br>(Note 2) | Endorsement<br>and Guarantee<br>from Parent<br>Company to<br>Subsidiary | Endorsement<br>and Guarantee<br>from<br>Subsidiary to<br>Parent<br>Company | Endorsement<br>and Guarantee<br>to Mainland<br>Area | Remark |
|-----|---------------------------------|----------------------------------|--------------|------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------|--------|
|     |                                 | Name of<br>Company               | Relationship |                                                                              |                                                                 |                                                                   |                              |                                                                             |                                                                                                           |                                                     |                                                                         |                                                                            |                                                     |        |
| 0   | The Company                     | Mosa                             | Subsidiaries | \$ 1,078,100                                                                 | \$ 212,205                                                      | \$ 210,705                                                        | \$ 84,457                    | \$ -                                                                        | 4.89%                                                                                                     | \$ 2,156,200                                        | 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, 2023

Schedule 3

Unit: NT\$ Thousand

| Company Purchasing<br>(Selling) | Name of Counterparty | Relationship | Transaction Status |            |                                          |               | The Circumstances and Reasons Why the<br>Transaction Conditions are Different from<br>Those of Ordinary Transactions |               | Notes and Accounts Receivable (Payable) |                                                                      | Remark |
|---------------------------------|----------------------|--------------|--------------------|------------|------------------------------------------|---------------|----------------------------------------------------------------------------------------------------------------------|---------------|-----------------------------------------|----------------------------------------------------------------------|--------|
|                                 |                      |              | Purchase (Sale)    | Amount     | Percentage to Total<br>Purchases (Sales) | Credit Period | Unit Price                                                                                                           | Credit Period | Remaining Balance                       | Percentage to Total<br>Notes and Accounts<br>Receivable<br>(Payable) |        |
| Mosa                            | Mosa Shanghai        | Subsidiaries | Sale               | \$ 471,335 | 90%                                      | (Note)        | (Note)                                                                                                               | (Note)        | \$ 381,406                              | 97%                                                                  |        |

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, 2023

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 \$ 381,406 | 1.06     | \$ -                                     | —        | \$ 91,856                                                         | \$ -                 |

Mosa Industrial Corp. and Subsidiaries  
Information on Investee Companies  
From January 1 to December 31, 2023

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<br><br><br>Mosa | Mosa                            | Yunlin County | Manufacturing of automobiles and parts thereof, and other metal products | \$ 1,365,000               | \$ 1,365,000             | 68,500,000        | 100          | \$ 1,258,828    | ( \$ 58,609 )                                  | ( \$ 58,734 )                                    |        |
|                             | Maoqiang                        | Taichung City | Precision chemical materials, machinery and equipment manufacturing      | 2,500                      | 2,500                    | 250,000           | 25           | 688             | ( 2,528 )                                      | ( 630 )                                          |        |
|                             | YUAN LIN INVESTMENT CO., LTD.   | Seychelles    | Investing company                                                        | 29,527<br>( USD 1,000 )    | 29,527<br>( USD 1,000 )  | 1,000,000         | 100          | 3,597           | ( 7,326 )                                      | ( 7,614 )                                        |        |

Note: Refer to Note 10.

Mosa Industrial Corp. and Subsidiaries  
Information on Investments in Mainland China  
From January 1 to December 31, 2023

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 transferred 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<br>( USD 1,000 ) | Investment in a Mainland company by a company founded through third-party investment | \$ 29,527<br>( USD 1,000 )                                                         | \$ -                                                          | \$ -      | \$ 29,527<br>( USD 1,000 )                                                   | 100%                                                         | ( \$ 7,326 )<br>( USD 235 )                               | \$ 6,426<br>( USD 209 )                   | \$ -                                                              |

| 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<br>( USD 1,000 )                                                  | \$ 45,505<br>( USD 1,500 )                                                                     | \$ 2,587,440<br>(Note 2)                                                                                      |

Note 1: Calculated based on the investee's financial statements of the same fiscal year after review by the parent company's CPA and the Company's shareholding ratio.

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, 2023

Schedule 7

| Name of Major Shareholder                   | Shares                         |                         |
|---------------------------------------------|--------------------------------|-------------------------|
|                                             | Number of shares held (shares) | Shareholding percentage |
| Yong Xin International Investment Co., Ltd. | 14,131,735                     | 6.96%                   |
| Wang Te-Hsin                                | 13,926,913                     | 6.86%                   |

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 11      |
| Statement of changes in accumulated depreciation of property, plant and equipment                         | Note 11      |
| 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 13      |
| Statement of changes in accumulated depreciation of investment property                                   | Note 13      |
| Statement of changes in intangible assets                                                                 | Note 14      |
| Statement of deferred income tax assets                                                                   | Note 22      |
| Statement of short-term bank loans                                                                        | Statement 7  |
| Statement of notes payable                                                                                | Statement 8  |
| Statement of accounts payable                                                                             | Statement 9  |
| Statement of long-term bank loans                                                                         | Statement 10 |
| Statement of other payables                                                                               | Note 17      |
| Statement of lease liabilities                                                                            | Note 12      |
| Statement of deferred income tax liabilities                                                              | Note 22      |
| Statement of profit and loss items                                                                        |              |
| Statement of operating revenues                                                                           | Statement 11 |
| Statement of operating costs                                                                              | Statement 12 |
| Statement of operating expenses                                                                           | Statement 13 |
| Summary of employee benefits, depreciation and amortization expenses incurred during the year by function | Note 21      |

Mosa Industrial Corp.

Statement of cash

December 31, 2023

Statement 1

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

| Item                             | Original currency | Exchange rate | Amount            |
|----------------------------------|-------------------|---------------|-------------------|
| Cash on hand and working capital |                   |               |                   |
| NTD                              | 186               | 1             | \$ 186            |
| EUR                              | 7                 | 33.98         | 222               |
| USD                              | 6                 | 30.705        | 182               |
| RMB                              | 55                | 4.327         | 253               |
| Others                           |                   |               | <u>21</u>         |
|                                  |                   |               | <u>864</u>        |
| Bank deposits                    |                   |               |                   |
| Demand deposits                  |                   |               | 637,927           |
| Foreign currency deposits        |                   |               |                   |
| USD                              | 1,820             | 30.705        | 55,878            |
| RMB                              | 6,554             | 4.327         | 28,359            |
| EUR                              | 121               | 33.98         | <u>4,111</u>      |
|                                  |                   |               | <u>726,275</u>    |
|                                  |                   |               | <u>\$ 727,139</u> |

Mosa Industrial Corp.  
Statement of notes receivable  
December 31, 2023

Statement 2

Unit: NT\$ Thousand

| Name of customer  | Amount                       |
|-------------------|------------------------------|
| Non-related party |                              |
| Company 10127     | \$           6               |
| Company 10129     | <u>          3</u>           |
|                   | <u><u>\$           9</u></u> |

Mosa Industrial Corp.  
Statement of accounts receivable  
December 31, 2023

Statement 3

Unit: NT\$ Thousand

| Name of customer           | Amount            |
|----------------------------|-------------------|
| Non-related party          |                   |
| Company 10064              | \$ 50,070         |
| Company 10265              | 44,076            |
| Company 10002              | 27,073            |
| Company 10118              | 22,981            |
| Company 10309              | 14,662            |
| Others (Note)              | <u>30,665</u>     |
|                            | 189,527           |
| Less: Allowance for losses | ( <u>75,021</u> ) |
|                            | <u>\$ 114,506</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, 2023

Statement 4

Unit: NT\$ Thousand

| Item            | Amount           |                  |
|-----------------|------------------|------------------|
|                 | Cost             | Market Price     |
| Finished goods  | \$ 2,356         | \$ 3,434         |
| Work in process | 38,957           | 45,586           |
| Raw materials   | <u>19,358</u>    | <u>35,869</u>    |
|                 | <u>\$ 60,671</u> | <u>\$ 84,889</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, 2023

Statement 5

Unit: NT\$ Thousand

| Name of investee company | Balance at the beginning of 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 | Balance at the end of the year |                |                     |                     | Provision of guarantees or pledges |
|--------------------------|--------------------------------------|---------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------|----------------|---------------------|---------------------|------------------------------------|
|                          | Number of Shares                     | Amount              |                                                                           |                                                                                                 | Number of Shares               | Shareholding % | Amount              | Net Equity          |                                    |
| Non-listed companies     |                                      |                     |                                                                           |                                                                                                 |                                |                |                     |                     |                                    |
| Mosa                     | 68,500                               | \$ 1,317,700        | ( \$ 58,734 )                                                             | ( \$ 138 )                                                                                      | 68,500                         | 100            | \$ 1,258,828        | \$ 1,258,828        | None                               |
| Maoqiang                 | 250                                  | <u>1,318</u>        | ( <u>630</u> )                                                            | <u>-</u>                                                                                        | 250                            | 25             | <u>688</u>          | <u>688</u>          | None                               |
|                          |                                      | <u>\$ 1,319,018</u> | ( <u>\$ 59,364</u> )                                                      | ( <u>\$ 138</u> )                                                                               |                                |                | <u>\$ 1,259,516</u> | <u>\$ 1,259,516</u> |                                    |

Mosa Industrial Corp.  
Statement of changes in right-of-use assets  
From January 1 to December 31, 2023

Statement 6

Unit: NT\$ Thousand

|                          | Balance at the<br>beginning of the<br>year | Increase during the<br>year | Balance at the end<br>of the year |
|--------------------------|--------------------------------------------|-----------------------------|-----------------------------------|
| Cost                     |                                            |                             |                                   |
| Land                     | \$ 1,154,454                               | <u>\$ -</u>                 | \$ 1,154,454                      |
| Accumulated depreciation |                                            |                             |                                   |
| Land                     | <u>94,825</u>                              | <u>\$ 23,077</u>            | <u>117,902</u>                    |
| Right-of-use assets      | <u>\$ 1,059,629</u>                        |                             | <u>\$ 1,036,552</u>               |

Mosa Industrial Corp.  
Statement of short-term bank loans  
December 31, 2023

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       |                                |                                       |                          |                 |                         |        |
| Taiwan Shin Kong Commercial Bank | \$ 7,367                       | November 2, 2023 - March 24, 2024     | 1.92-1.94                | 40,000          | None                    | —      |
| E.SUN Commercial Bank            | 15,598                         | September 12, 2023 - April 30, 2024   | 1.80                     | 50,000          | None                    | —      |
| First Commercial Bank            | <u>37,875</u>                  | July 10, 2023 - June 6, 2024          | 2.10                     | 70,000          | None                    | —      |
|                                  | <u>60,840</u>                  |                                       |                          |                 |                         |        |
| Credit borrowing                 |                                |                                       |                          |                 |                         |        |
| Taiwan Shin Kong Commercial Bank | 30,000                         | November 15, 2023 - February 5, 2024  | 1.95                     | 40,000          | None                    | —      |
| Taipei Fubon Commercial Bank     | 30,000                         | August 10, 2023 - February 10, 2024   | 1.96                     | 60,000          | None                    | —      |
| Taipei Fubon Commercial Bank     | 30,000                         | December 20, 2023 - June 17, 2024     | 1.99                     | 60,000          | None                    | —      |
| EnTie Commercial Bank            | 30,000                         | December 25, 2023 - January 24, 2024  | 1.78                     | 60,000          | None                    | —      |
| E.SUN Commercial Bank            | <u>30,000</u>                  | November 30, 2023 - February 27, 2024 | 1.80                     | 50,000          | None                    | —      |
|                                  | <u>150,000</u>                 |                                       |                          |                 |                         |        |
|                                  | <u>\$ 210,840</u>              |                                       |                          |                 |                         |        |

Mosa Industrial Corp.  
Statement of notes payable  
December 31, 2023

Statement 8

Unit: NT\$ Thousand

| Name of supplier  | Amount          |
|-------------------|-----------------|
| Non-related party |                 |
| Company A         | \$ 1,649        |
| Others (Note)     | <u>60</u>       |
|                   | <u>\$ 1,709</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, 2023

Statement 9

Unit: NT\$ Thousand

| Name of supplier  | Amount                  |
|-------------------|-------------------------|
| Non-related party |                         |
| Company I         | \$ 10,005               |
| Company II        | 5,374                   |
| Company III       | 4,830                   |
| Company IV        | 2,909                   |
| Company V         | 2,788                   |
| Company VI        | 2,524                   |
| Company VII       | 2,440                   |
| Others (Note)     | <u>5,726</u>            |
|                   | <u><u>\$ 36,596</u></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, 2023

Statement 10

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 2032; the principal will be forgiven for 2 years starting from November 2018, after which the principal will be repaid in 48 equal installments every 3 months.                                                                                                                                          | 2.013                    | \$ 10,000           | \$ 320,000         | \$ 330,000   | Buildings               |
| 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.                                                                                                                                          | 2.003                    | 50,000              | 500,000            | 550,000      | Buildings               |
| Taiwan Cooperative Bank | Due in March 2029; starting from March 2023, the principal will be repaid in 20 equal installments every 3 months.                                                                                                                                                                                                       | 2.018                    | -                   | 140,000            | 140,000      | Buildings               |
|                         |                                                                                                                                                                                                                                                                                                                          |                          | 60,000              | 960,000            | 1,020,000    |                         |
| 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. | 2.203                    | 40,000              | -                  | 40,000       | None                    |
|                         |                                                                                                                                                                                                                                                                                                                          |                          | \$ 100,000          | \$ 960,000         | \$ 1,060,000 |                         |

Mosa Industrial Corp.  
Statement of operating revenues  
From January 1 to December 31, 2023

Statement 11

Unit: NT\$ Thousand

| <u>Item</u>       | <u>Summary</u>                 | <u>Number (thousand units)</u> | <u>Amount</u>     |
|-------------------|--------------------------------|--------------------------------|-------------------|
| Operating revenue | High-pressure gas charger      | 130,553                        | \$ 670,567        |
|                   | Aluminum bottle/soda<br>bottle | 58                             | 54,157            |
|                   | Others (Note)                  | 482                            | <u>18,268</u>     |
|                   |                                |                                | <u>\$ 742,992</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, 2023

Statement 12

Unit: NT\$ Thousand

| Item                                                                    | Amount                   |
|-------------------------------------------------------------------------|--------------------------|
| Raw materials at the beginning of the year                              | \$ 115,459               |
| Purchase of raw materials during the year                               | 192,634                  |
| Raw materials at the end of the year                                    | ( 25,759 )               |
| Raw materials for sale                                                  | ( 1,930 )                |
| Others                                                                  | ( <u>822</u> )           |
| Direct raw materials                                                    | 279,582                  |
| Direct labor                                                            | 48,522                   |
| Manufacturing expenses                                                  | <u>440,554</u>           |
| Manufacturing costs                                                     | 768,658                  |
| Work in process at the beginning of the year                            | 69,446                   |
| Work in process at the end of the year                                  | ( 53,439 )               |
| Sale of work in process                                                 | ( 18,552 )               |
| Others                                                                  | <u>39,213</u>            |
| Costs of finished goods                                                 | 805,326                  |
| Finished goods at the beginning of the year                             | 37,178                   |
| Finished goods at the end of the year                                   | ( 3,576 )                |
| Others                                                                  | ( <u>14,106</u> )        |
| Production and marketing costs                                          | 824,822                  |
| Products at the beginning of the year                                   | 812                      |
| Purchase of raw materials during the year                               | 6,372                    |
| Products at the end of the year                                         | ( 788 )                  |
| Others                                                                  | ( <u>24</u> )            |
| Purchase and marketing costs                                            | <u>6,372</u>             |
| Production and marketing plus purchase and marketing costs              | 831,194                  |
| Cost of raw materials and work-in-progress sold                         | 20,482                   |
| Loss on inventory valuation falling and obsolescence (gain on recovery) | ( 9,881 )                |
| Revenue from scraps                                                     | ( 14,375 )               |
| Others                                                                  | <u>43,798</u>            |
| Operating costs                                                         | <u><u>\$ 871,218</u></u> |

Mosa Industrial Corp.  
Statement of operating expenses  
December 31, 2023

Statement 13

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

| Name                 | Selling expenses | General and<br>administrative<br>expenses | R&D expenses     |
|----------------------|------------------|-------------------------------------------|------------------|
| Salaries and bonuses | \$ 4,477         | \$ 31,802                                 | \$ 5,761         |
| Export expenses      | 4,459            | -                                         | -                |
| Depreciation         | 216              | 17,026                                    | 1,406            |
| Others               | <u>5,615</u>     | <u>37,566</u>                             | <u>10,364</u>    |
|                      | <u>\$ 14,767</u> | <u>\$ 86,394</u>                          | <u>\$ 17,531</u> |