

Stock Code: 4564



Mosa Industrial Corporation

2023 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Annual Report is available at: <https://mops.twse.com.tw>

<http://www.twmosa.com>

Printed on April 1, 2024

1. Name, title, telephone number and e-mail address of spokesperson and acting spokesperson

Spokesperson

Name:Hui-Ping Chuang

Title: Assistant Vice President

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acting spokesperson

Name: Chun-Hsiang Hsieh

Title:Manager

Tel:(05)636-1867

E-mail:doris@mosatw.com

2.Address and contact number of the headquarter, branches and plant sites

Head office: No. 18, Kehu 3rd Road, Huwei Town, Yunlin County

Tel: (05)636-1867

Plant: No. 16,18,20,22 Kehu 3rd Road, Huwei Town, Yunlin County

Tel: (05)636-1867

Branches: None

3. Stock Transfer Agent

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4. Name of CPA and the name, address, and contact number of the accounting firm for the latest financial report:

Name of CPA: Done-Yuin Tseng , Ting-Chien Su

Name of accounting firm: Deloitte & Touche

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Website: [http : //www.deloitte.com.tw](http://www.deloitte.com.tw)

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5.Name of overseas exchange where securities are listed, and method of inquiry: None

6.Company website: [http:// www.twmosa.com](http://www.twmosa.com)

Table of Contents

One.	Letter to Shareholders	1
Two.	Company Profile	4
I.	Date of establishment	4
II.	Company history	4
Three.	Corporate Governance Report	5
I.	Organization and systems	5
II.	Information on the Company's directors, supervisors, president, vice presidents, assistant vice presidents, and the heads of all the Company's divisions and branch units	7
III.	Remuneration paid during the most recent fiscal year to directors, supervisors, the president, and vice presidents	19
IV.	Corporate governance implementation	22
V.	Audit fee of independent auditors	58
VI.	Information on replacement of CPAs	58
VII.	Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:	58
VIII.	.Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10% during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.	58
IX.	Information on the relationship among the 10 largest shareholders who are a related party, spouse, or a relative within the second degree of kinship of one another	59
X.	The total number of shares and the consolidated equity stake percentage held in any single investee enterprise by the Company, its directors, supervisors, managerial officers, or any companies controlled either directly or indirectly by the Company	61
Four.	Fund Raising Status	62
I.	Capital and shares	62
II.	Corporate bonds	66
III.	Preferred shares	67
IV.	Global depository receipts	67
V.	Employee stock options	67
VI.	New restricted employee shares	67
VII.	Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies	67
VIII.	Implementation of the company's capital allocation plans	67
Five.	Operational Highlights	68
I.	Scope of business	68
II.	Markets, production, and marketing	75
III.	The number of employees employed for the two most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)	85
IV.	Disbursements for environmental protection	85
V.	Labor relations	85
VI.	Cyber security management	87
VII.	Important contracts	89
Six.	Financial overview	90
I.	Condensed balance sheet and comprehensive income statement for the most recent five years	90
II.	Financial analysis for the most recent five years	94
III.	Audit Committee's review report for the most recent year's financial statements	97
IV.	Financial statements for the most recent year	98
V.	Parent company only financial statements for the most recent year which were audited and attested by CPAs	98
VI.	If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation	98
Seven.	Review and Analysis of the Financial Position and Financial Performance, and Risks	99
I.	Financial position	99

II.	Financial performance	100
III.	Cash flow	101
IV.	Effect of major capital expenditures on finance and business matters in the most recent year	101
V.	Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the coming year	101
VI.	Analysis and assessment of risks in the most recent year and in the current year up to the publication date of the annual report	102
VII.	Other important matters	105
Eight.	Special items to be included	106
I.	Information on affiliates	106
II.	Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report:	108
III.	Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report:	108
IV.	Other matters that require additional explanation	108
Nine.	Whether any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:	108
Appendix:		
I.	Consolidated Financial Statements for 2023 and Independent Auditors' Report	
II.	Parent Company Only Financial Statements for 2023 and Independent Auditors' Report	

One. Letter to Shareholders

Ladies and gentlemen:

Welcome to attend the shareholders meeting this year. In the name of the Company, I'd like to extend my greatest thanks to all the shareholders who supported us and encouraged us. A report on the 2023 operating status and future outlook report is as follows:

I. 2023 Business Report

(I) Business Plan implementation results

In 2023, due to factors such as high interest rates, high inflation, and geopolitical interference, the end consumer demand was weak. In addition, Chinese manufacturers competed for the market by cutting prices. As a result, the shipment volume and average selling price of high-pressure chargers both declined from 2022. In the inflator, due to the decline in the sales of used cars matched with some products and the fierce price war for electric vehicles, the shipment and average selling price also declined from 2022. As a result, the 2023 consolidated operating revenue decreased by 31.02% from 2022. Affected by factors such as insufficient utilization rate and the decline in average product prices caused by reduced shipments, a consolidated gross loss was incurred in 2023, resulting in a consolidated net loss of NTD 371,062 thousand in 2023, or a loss of NTD 1.87 per share.

Unit: NT\$ thousands

Item \ Year	2023		2022		Percentage of increase (decrease) (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Operating revenue	1,304,718	100	1,891,491	100	(31.02)
Operating costs	1,406,299	108	1,648,810	87	(14.71)
Gross profit	(101,581)	(8)	242,681	13	(141.86)
Operating expenses	236,236	18	183,771	10	28.55
Operating profit	(337,817)	(26)	58,910	3	(673.45)
Profit before tax	(416,413)	(32)	56,122	3	(841.98)
Net profit (loss) for the year	(371,062)	(28)	55,802	3	(764.96)

(II) Budget implementation status

The Company did not disclose its financial forecast for 2023. .

(III) Financial structure and profitability

Analysis item \ Year		2023	2022
Financial structure	Debt to assets ratio (%)	43.12	45.74
	Ratio of long-term capital to property, plant, and equipment (%)	151.58	137.77
Solvency	Current ratio (%)	266.16	136.90
	Quick ratio (%)	199.13	99.32
Profitability	Return on assets (%)	(4.22)	1.14
	Return on equity (%)	(8.62)	1.27
	Ratio of net profit before tax to paid-in capital (%)	(20.53)	3.07
	Profit margin (%)	(28.44)	2.95

(IV) Research and Development Status

Since incorporation the Company has been stuck to the principle of acquiring and developing independent technologies. By actively recruiting professional R&D talents, the Company not only taps into different fields of technology but also approximates to customers' needs. Aside from advancing manufacturing process, the Company actively transforming and accelerating the development of new products to enhance employee innovation and operational efficiency, thus consolidating the company's competitiveness.

1. To cope with labor shortage in the manufacturing industry and meet the need to continuously improve the precision of products and process, the Company operates mainly liquid gas automatic filling production lines by leveraging Industry 4.0 technologies. By gathering big data and performing analysis for the most optimal production conditions, the Company overcomes the manual setting centered on subjective factors, to increase equipment stability and reduce the defect rate.

2. The Company will continuously improve and optimize the process equipment to increase production efficiency and reduce production costs, and will develop and design reliable and safe new models or customized products to meet the demand of customers and the market.
3. List of the main R&D achievements in 2023:
Optimized Soda Water Machine, Developed a quick tire repair kit for motorcycles and automobiles (including tire repair agent bottles and inflator), Automotive/Commercial electronic expansion valve, Automotive/commercial precision flow control ball valve, Seat cushion airbag inflator, Three stages heavy duty gas generator and Cooperate with customers to develop inflator s for personal safety protection products.

II. Summary of the 2024 Business Plan

(I) Business policy and future development strategy

1. High-pressure chargers

- (1) Refine production technology and efficiency, improve product quality, build strong relationship with current customers and continue to develop new customers.
- (2) Use the core technology of gas filling to develop products for high value-added applications, to reduce the operational risk that comes from excessive concentration on customers and industry.

2. Inflators

- (1) Optimize the manufacturing process and production technology, reduce production costs, and improve competitive advantages.
- (2) Develop and design various hybrid and air-conditioning inflators in accordance with customer needs to provide safe and reliable inflators for various systems and devices to protect the safety of personnel..

3. Improve the working conditions and create friendly workplaces, actively develop and retain exceptional talents and strengthen internal control processes in order to satisfy the Company's growth and development need.

4. Pay close attention to the environment, social obligation, and corporate governance, put into practice applicable measures and strive for constant enhancement, with the aim of attaining the Company's objective of sustainable growth.

(II) Expected volume of sale, and the basis for such expectation

For high-pressure chargers, as the global economy is still facing many challenges, including inflation, currency movements of central banks, geopolitics and climate changes, and the price competition from low-priced products and counterfeit products in mainland China, customers are more conservative in placing orders ; For inflators, in the face of high interest rates and many macroeconomic uncertainties, electric vehicle manufacturers are forced to launch a price war, and parts and components suppliers are relatively under pressure to cut prices. Therefore, the Company treats the expected sales volume of high-pressure chargers and inflators in 2024 cautiously.

(III) Important production and marketing policies

1. High-pressure chargers

- (1) Deepen the relationship with long-term cooperative distributors and actively develop new customers.
- (2) Strict quality inspection to maintain the brand image of high safety and high quality.
- (3) Continue to develop various high-pressure chargers application products to expand the business scale.

2. Inflators

- (1) In response to the need for airbag system manufacturers, the Company will continue to develop products and reduce production costs, in order to provide competitive prices to expand the business scale.
- (2) Continue to develop wearable protection products with the niche of rapid and flexible design and services, and expand customers in protection product-related industries, thereby increasing sales and profits.

3. Actively pursue various certifications to meet customer needs and market regulations

The Company has obtained the AEO safety and high-quality enterprise certificate and passed the ISO 45001 occupational safety and health management system certification and CNS 45001 certification. To ensure the that the high-pressure inflators and automotive airbag inflators are safe and compliant with the safety regulations of the Europe and the US, the Company had its quality system pass a variety of international certification, e.g., ISO9001, ISO22000, Halal for high-pressure chargers; TUV for high-pressure chargers/cream whippers/soda makers; NSF for cream whippers and soda makers; ANFOR (NF D 21-901), REACH, RoHS, LFGB; IATF 16949:2016, INERIS-MODULE D (2013/29/EU), and EU CE (2013/29/EU) for inflators, plus a series of product certification, e.g., DOT, BAM, National Chung Shan

Institute of Science and Technology, REACH, and ELV. To demonstrate that its products fulfill regulatory requirements, the Company keeps passing certification and developing new products to cater to customer requirements and industry regulations.

(IV) Impact of external competition, regulatory environment, and macroeconomic environment

External environmental factors such as the increase in raw materials price, labor shortage, tightening environmental regulations, and the launch of the carbon fee have driven up the Company's operating costs. Whether it is labor shortage, environmental protection regulations, or net zero carbon emissions, they are all negative factors for the Company's operations. Therefore, the Company continues to introduce automation equipment, purchase environmental protection facilities, improve process carbon emissions and establish a safe operating environment in order to retain employees, improve production efficiency and comply with laws and regulations. In response to the challenges faced by the global economy, the Company has adopted a prudent attitude, actively transformed itself to enhance competitiveness, continued to develop customers and new products, and practiced corporate social responsibility in the spirit of "sincere, persistent, innovative, cherishing chance, and grateful" , to promote economic, environmental and social progress, to achieve the goal of sustainable development, and to create good investment returns for all shareholders.

Last but not least, I want to act on behalf of the directors to express my sincere appreciation to shareholder, ladies and gentlemen, and colleagues and wish them all a very good health!

Two. Company Profile

I. Date of incorporation

July 11, 1988

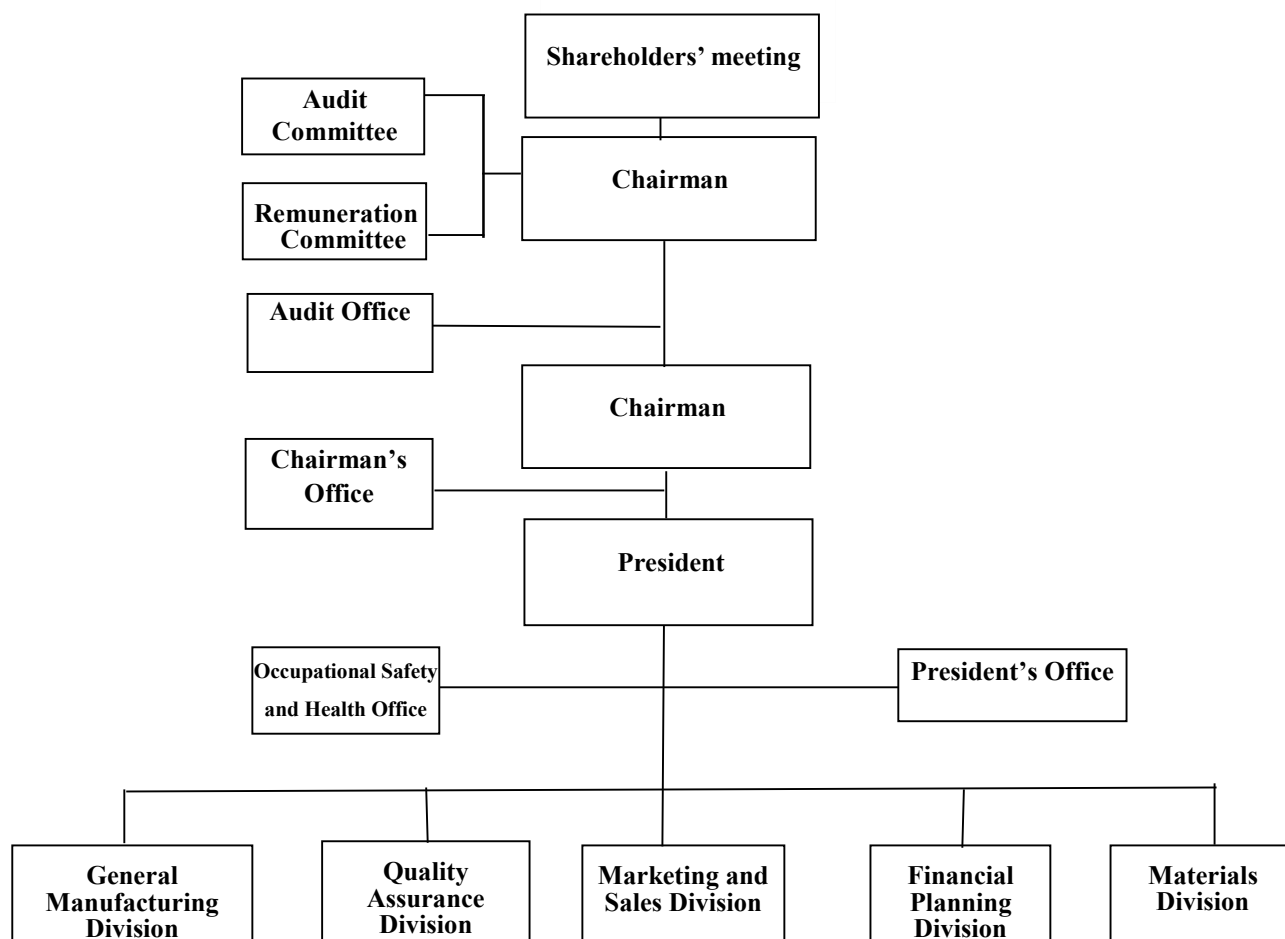
II. Company history

Year	Milestones
1988	Established Mosa Enterprise Ltd.
1992	Started research and development of high-pressure cream whippers, and high-pressure N ₂ O and CO ₂ chargers.
2001	Renamed itself Mosa Industrial Corp.
2002	Put Dazhu Factory in Taoyuan in to operation and transitioned to being a professional manufacturer of high-pressure gas charger.
2004	Completed the N ₂ O and CO ₂ charger filling mass production line and passed ISO-9001 certification.
2005	Expanded N ₂ O production line, and passed TUV certification and NSF certification.
2007	Relocated to Huwei Park, Central Taiwan Science Park.
2008	Developed the 240bar airbag high-pressure charger and had it certified.
2009	Became a global leading manufacturer in the consumer market for high-pressure gas Chargers. Invested in the development of airbag inflators.
2011	Completed 11 hybrid inflators, established mass production lines, and had them pass ISO/TS16949:2009 certification.
2012	Started mass production and shipment of hybrid inflators.
2013	The airbag inflator won the 21st Taiwan Excellence Award and was shortlisted for the first Taiwan Mittelstand Award organized by the Industrial Development Bureau of MOEA.
2014	The airbag inflator has obtained BAM EC, DOT and INERIS certification.
2015	Received the BYD 2014 Quality Assurance Award. Obtained ISO14001, OHSAS18001, and TOSHMS certification.
2016	Became a public company under the approval of the competent authority. Obtained the Authorized Economic Operator (AEO) certificate. Won the 2016 BYD Quality Supplier Award.
2017	Registered as an emerging stock on TPEx. Obtained HALAL certification.
2018	Completed construction of a new factory for high-pressure chargers (automated factory).
2019	Registered its stock on Taiwan Stock Exchange Corporation (TWSE). The Company's Shareholders' Meeting resolved to spin off and transfer its industrial products business (including assets and liabilities) to Mosa Safety System Corp., a surviving and wholly owned subsidiary, with the division record date set for January 1, 2020.
2020	Obtained a permit for a nitrous oxide (N ₂ O) used as food additive.
2021	Passed ISO 22000 & HACCP food safety management systems certification. Passed ISO45001 and CNS45001 certification.
2022	Obtained a permit for carbon dioxide (CO ₂) used as food additive.
2023	Obtained a permit for nitrogen (N ₂) used as food additive. The R-Tire rapid repair kit won the 2023 Innovation Product Awards, Central Taiwan Science Park.

Three. Corporate Governance Report

I. Organization and systems

(I) Organizational structure



(II) Main duties of each major department

Department	Duties
Audit Office	Inspect and review the internal control system for any deficiency; measure the effectiveness and efficiency of operations; and provide suggestions for improvement.
President's Office	Plan, promote, integrate, and track business matters and operating procedures in their entirety. Research and plan specific projects, and guide the implementation thereof. Research, design and develop new products. Review contracts and deal with legal affairs. Configure and maintain the information system and process information. Formulate and execute personnel management systems.
Occupational Safety and Health Office	Plan, supervise, and execute matters related to occupational health and safety. Prevent occupational accidents and plan, supervise, and execute safety protection measures.
General Manufacturing Division	Schedule and implement production. Control production costs, schedule human resources, and improve efficiency. Request for purchase of production materials and track the progress thereof. Plan for outsourcing and track the progress thereof. Configure manufacturing process; formulate engineering specifications; formulate production schedule; remodel manufacturing process and technology. Give instructions on maintenance of factory-wide production/public/pollution control equipment, implement the same, and repair and improve any anomaly. Matters related to equipment assembly and automation.
Quality Assurance Division	Formulate the Company's quality policy, and take charge of product testing, quality inspection, quality assurance and reliability analysis, and customer complaint handling.
Marketing and Sales Division	Set and execute business goals. Formulate and execute marketing strategy. Explore and develop domestic and foreign business markets. Achieve business goals and improve customer service quality.
Financial Planning Division	Financial planning, accounting, budgeting, production cost analysis and control, and stock affairs. Production and marketing operation planning.
Materials Division	Purchase raw materials, non-production supplies, and fixed assets for the Company and manage suppliers. Assign and configure procurement tasks. Manage warehousing. Administer administrative and general affairs; manage security guards and dormitory restaurant; take charge of matters related to fixed assets.

II. Information on the Company's directors, supervisors, president, vice presidents, assistant vice presidents, and the heads of all the Company's divisions and branch units

(I) Information on directors

1. Information on directors

Unit: shares; % April 1, 2024

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major work experience and academic qualifications	Position concurrently held in the Company or other company	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held			Title	Name	Relations	
Chairman	R.O.C	The-Hsin Wang	Male 61-70	2023/6/28	3Years	1988/7/11	13,926,913	6.87%	13,926,913	6.87%	5,530,473	2.73%	-	-	EMBA, National Central University	President, Mosa Industrial Corporation Chairman, Yuan Lin Investment Co., Ltd. Director, Yuan Lin Shanghai Co., Ltd Chairman and President, Mosa Safety System Corporation Supervisor, Yong Xin International Investment Co., Ltd. Corporate director representative, Maoqiang Technology Co., Ltd.	Director	Wen-Hui Lin	Spouse	Note
Director	R.O.C	Yong Xin International Investment Co., Ltd.	-	2023/6/28	3Years	2015/6/25	14,131,735	6.97%	14,131,735	6.97%	-	-	-	-	-	None	-	-	-	
		Representative: Wen-Hui Lin	Female 51-60	2023/6/28	3Years	2015/6/25	3,800,918	1.87%	5,530,473	2.73%	13,926,913	6.87%	-	-	Bachelor of Business Management Department, Fu Jen Catholic University	Chairman, Yongxin International Investment Co., Ltd. Special Assistant, Mosa Industrial Corporation	Chairman	The-Hsin Wang	Spouse	

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major work experience and academic qualifications	Position concurrently held in the Company or other company	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held			Title	Name	Relations	
Director	R.O.C	Kao Investment Corporation	-	2023/6/28	3Years	2020/5/27	725,093	0.36%	725,093	0.36%	-	-	-	-	-	Director, Ouhua Investment Development Co., Ltd Director, Twinhead International Corporation	-	-	-	
		Representative: Mei-Li Tsai	Female 61-70	2023/6/28	3Years	2006/11/09	-	-	-	-	-	-	-	-	Master of Accounting, National Chengchi University Director, Shih Hsin University Section chief of the Investment Department, Bank of Communications Adjunct Lecturer at National Taipei University Adjunct Lecturer at Shih Hsin University Adjunct Lecturer at Chinese Culture University	Director and President, Ouhua Investment Development Co., Ltd Corporate director representative, Twinhead International Corporation Director, Aero Win Technology Corporation	-	-	-	
Director	R.O.C	Chao-Kao Chen	Male 61-70	2023/6/28	3Years	2023/6/28	2,078,000	1.03%	2,078,000	1.03%	2,411,630	1.19%	-	-	Graduate from Chia-Yang High School Chairman, Kong Chou Construction Co., Ltd. Director, Hsin Yung Chien Co., Ltd. Director, Hsin Yung Chien Co., Ltd. Corporate director representative, Maoqiang Technology Co., Ltd.	Chairman, Kong Chou Construction Co., Ltd. Director, Hsin Yung Chien Co., Ltd. Corporate director representative, Maoqiang Technology Co., Ltd.	-	-	-	

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major work experience and academic qualifications	Position concurrently held in the Company or other company	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held			Title	Name	Relations	
Director	R.O.C	Ching-Jung Chen	Male 51-60	2023/6/28	3Years	2023/6/28	2,911,208	1.44%	2,911,208	1.44%	200,000	0.10%	-	-	EMBA, National Chengchi University Director, Classic Living Co., Ltd. Director, Kinmen Glass Manufacturer Co., Ltd. Director, Good Way Environmental Technology Co., Ltd.	Director, Classic Living Co., Ltd. Director, Kinmen Glass Manufacturer Co., Ltd. Director, Good Way Environmental Technology Co., Ltd.	-	-	-	
Independent Director	R.O.C	Feng-Tsung Cheng	Male 71-80	2023/6/28	3Years	2017/6/16	120,925	0.06%	120,925	0.06%	181,389	0.09%	-	-	Ph.D., Department of Industrial Engineering and Management, National Chiao Tung University Full-time professor and head of the Department of Industrial Engineering, Feng Chia University	Research professor, Smart Machinery Industry Development Center, College of Engineering and Science, Feng Chia University Consultant, Industry-University Cooperation Office, Feng Chia University Independent Director, Audit committee member, Remuneration committee member, China Fineblanking Technology Co., Ltd.	-	-	-	

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholding when elected		Number of shares currently held		Current shareholding of spouse or minor children		Shareholding by nominee arrangement		Major work experience and academic qualifications	Position concurrently held in the Company or other company	Spouse or relatives within second degree of kinship who are other managers, directors, or supervisors of the Company			Remarks
							Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held			Title	Name	Relations	
Independent Director	R.O.C	Tzu-Ping Jen	Male 71-80	2023/6/28	3Years	2017/6/16	-	-	-	-	-	-	-	-	Department of Business Administration, Fu Jen Catholic University President of the Bank of Communications Management Consulting Company Chairman, Tai Ping Insurance Co., Ltd Associate vice president of the headquarters, Mega International Commercial Bank	Independent Director, Audit committee member, Remuneration committee member, Twinhead International Corporation	-	-	-	
Independent Director	R.O.C	Chung-Hung Liao	Male 51-60	2023/6/28	3Years	2017/6/16	-	-	-	-	-	-	-	-	Doctor of Laws, University of Cologne, Germany Adjunct Associate Professor, Institute of Financial and Economic Law, Feng Chia University Full-time associate professor, Institute of Financial and Economic Law, Feng Chia University	Full-time associate professor of the Department of Law, College of Law, Tunghai University	-	-	-	
Independent Director	R.O.C	Chao-Li Chen	Female 51-60	2023/6/28	3Years	2023/6/28	-	-	-	-	15,677	0.01	-	-	Bachelor of Accounting, Chung Yuan Christian University CPA, Honesty CPA Firm	CPA, Honesty CPA Firm	-	-	-	

Note: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

The Company's Chairman concurrently serves as the Company's President mainly in order to maintain customer relationships, develop business, and improve operating efficiency. However, in order to enhance the independence of the Board of

Directors, the Company has increased the number of independent director seats to four to enhance the occupational and supervisory function of the Board of Directors. At present, the Company has the following specific measures in place to strengthen the occupational functions of the Board of Directors.

1. The four incumbent independent directors are an expert in finance, law, or smart machinery industry.
2. Independent directors can have open dialogue in each functional committee and put forward suggestions to the Board of Directors for the implementation of corporate governance.
3. Board members all take continuing education courses to enhance board operation performance.
4. Of the directors, three are women, and more than half are not concurrently an employees or a manager.

2. Major shareholders of corporate shareholders:

April 1, 2024

Name of institutional shareholder	Major shareholders of corporate shareholders (Note 2)
Yong Xin International Investment Co., Ltd.	The-Hsin Wang (33.23%) Wen-Hui Lin (60.39%) Guan-Han Wang(3.76%) Guan-Yu Wang (2.62%)
Kao Investment Corporation	Ming-Luan Gao Zhang (29.221%) Jih Yueh Kao Investment Co., Ltd. (15.584%) Yu-Ren Kao (25.974%) Wan-Qian Kao(9.740%) Si-Bo Kao (9.740%) Si-Fu Kao (9.740%)

Note: The above information is provided by the corporate shareholders concerned, and disclosed by the Company without any modification.

3. Major shareholders of a major shareholder who is a corporation:

April 1, 2024

Name of institutional	Major shareholder of the corporation
Jih Yueh Kao Investment Co., Ltd.	Kao Investment Corporation (81.00%) Si-Bo Kao(5.00%) Si-Fu Kao (5.00%) Wan-Qian Kao (5.00%) Ming-Luan Gao Zhang (3.00%) Yu-Ren Kao(1.00%)

Note: The above information is provided by the corporate shareholders concerned, and disclosed by the Company without any modification.

4. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors

Criteria Name	Professional qualifications and experience	Independence	Number of other public companies where the individual serves as an independent director concurrently
Chairman The-Hsin Wang	- Has more than five years of working experience necessary for the Company's business. - Currently the chairman and president of the Company and Mosa Safety System Corp. - Has served successively as the chairman of the Company. - Not involved in the matters described in Article 30 of the Company Act.	- Except for Chairman Te-Hsin Wang and his spouse, Director Wen-Hui Lin, none of other directors is a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as one of its top five shareholders, or designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. - In case a majority of the company's director seats or voting shares and those of any other company are controlled by the same person, none of the five directors is a director, supervisor, or employee of that other company. - Except for Chairman Te-Hsin Wang and his spouse, Director Wen-Hui Lin, if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses, none of the other directors is a director, supervisor, or employee of that other company or institution. - None of the five directors is a director, supervisor, managerial officer, or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company. - None of the five directors is a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof.	None
Director Wen-Hui Lin	- Has more than five years of working experience necessary for the Company's business. - Currently the Chairman of Yongxin International Investment Co., Ltd., and special assistant of the Company . - Used to be a director of the Company. - Not involved in the matters described in Article 30 of the Company Act.		None
Director Mei-Li Tsai	- Has more than five years of working experience necessary for the Company's business. - Currently president of Ouhua Venture Capital Co., Ltd., president of Yuhua Venture Capital Co., Ltd., president of Fuhua Venture Capital Co., Ltd., and director of Aero win Technology Corporation. - Used to be a director of the Company. - Not involved in the matters described in Article 30 of the Company Act.		None
Director Chao-Kao Chen	- Has more than five years of working experience necessary for the Company's business. - Currently the chairman of Kong Chou Construction Co., Ltd., the director of Hsin Yung Chien Co. Ltd., the Corporate director representative of Maoqiang Technology Co., Ltd. - Not involved in the matters described in Article 30 of the Company Act.		None
Director Ching-Jung Chen	- Has more than five years of working experience necessary for the Company's business. - Currently the director of Classic Living Co., Ltd., the director of Kinmen Glass Manufacturer Co., Ltd., the director of Good Way Environmental Technology Co., Ltd. - Not involved in the matters described in Article 30 of the Company Act.		None

Criteria Name	Professional qualifications and experience	Independence	Number of other public companies where the individual serves as an independent director concurrently
Independent Director Feng-Tsung Cheng	·Ph.D., Department of Industrial Engineering and Management, National Chiao Tung University. ·Has more than five years of work experience required by the Company's business. ·Currently Research Professor at the Smart Machinery Industry Development Center, Industry-University Cooperation Office, Feng Chia University. ·Used to be the dean and full-time professor of the Industrial Engineering Department of Feng Chia University. ·Not involved in the matters described in Article 30 of the Company Act.	·None of the four independent directors is involved in any of the circumstances listed in Article 3, Paragraph 1, Subparagraphs 1-9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"; therefore, they are considered independent. ·None of the four independent directors, or their spouse or relative within the second degree of kinship is a director, supervisor, or employee of the Company. ·Shares held by the Independent Director Feng-Tsung Cheng, his spouse, and his minor children (or in the name of others) total 302,314 shares, or 0.15% in percentage. ·None of the three independent directors, including Tzu-Ping Jen, Chung-Hung Liao and Chao-Li Chen, nor their spouses or minor children (or in the name of others) hold shares in the company. ·None of the four independent directors serves as a director, supervisor, or employee of a company that has a specific relationship with the Company (refer to Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). ·None of the four independent directors received remuneration for providing business, legal, financial, accounting and other services to the Company or its affiliated companies in the last two years.	1
Independent Director Tzu-Ping Jen	·Graduated from Department of Business Administration, Fu Jen Catholic University, passed the special examination for financial personnel examination B, and has accounting or financial expertise. ·Has more than five years of working experience necessary for the Company's business. ·Currently independent director of Twinhead International Corp. ·Used to be the president of Bank of Communications Management Consulting Company and chairman of Taiping Insurance (Co.,) Ltd. ·Not involved in the matters described in Article 30 of the Company Act.		1
Independent Director Chung-Hung Liao	·Doctor of Law from the University of Cologne, Germany; and qualified in law. ·Has more than five years of work experience required by the Company's business. ·Currently associate professor of the Department of Law, College of Law, Tunghai University. ·Used to be an assistant professor of the Graduate Institute of Financial and Economic Law, Feng Chia University. ·Not involved in the matters described in Article 30 of the Company Act.		None
Independent Director Chao-Li Chen	·Graduated from Department of Accounting, Chung Yuan Christian University, obtain an accountant certificate, and has accounting or financial expertise. ·Has more than five years of working experience necessary for the Company's business. ·Currently CPA of Honesty CPA Firm. ·Not involved in the matters described in Article 30 of the Company Act.		None

5. Diversity and Independence of the Board of Directors

(1). Diversity of the board of directors:

The Company's board of directors have set a target of having more than one-third of the board seats allocated to each gender to increase diversity. The board of directors as a whole shall possess expertise in areas of industry, finance, accounting, law, and business administration, and shall have an international market perspective and ability to lead and make decisions. The Company's 12th Board of Directors has 9 directors (including 4 independent directors). There were 9 directors left as of the date of publication of the annual report. The policy on diversity of Board of Directors members is implemented as follows:

- There are 3 Female directors, account for 33.3% and male directors account for 66.7%.
- There are 2 directors with employee status, accounting for 22.2%.
- The directors of the company are all of R.O.C nationality.
- There 4 independent directors, accounting for 44.4%. None of the independent directors has been in office for more than three terms.
- Two directors are 70 and over, three are in the 61-70 age range, and four are in the 51-60 age bracket.

· Diversity among board members:

Diversified core		Gender	Age	Professional background			Professional knowledge and skills					
				Financial accounting	Law	Industry	Operational judgment capability	Business administration capability	Crisis management capability	Industry knowledge	Cosmopolitan market view	Leadership and decision-making ability
Director	The-Hsin Wang	Male	61-70	✓		✓	✓	✓	✓	✓	✓	✓
	Wen-Hui Lin	Female	51-60	✓		✓	✓	✓	✓	✓	✓	✓
	Mei-Li Tsai	Female	61-70	✓		✓	✓	✓	✓	✓	✓	✓
	Chao-Kao Chen	Male	61-70			✓	✓	✓	✓	✓	✓	✓
	Ching-Jung Chen	Male	51-60	✓		✓	✓	✓	✓	✓	✓	✓
Independent director	Feng-Tsung Cheng	Male	71-80			✓	✓	✓	✓	✓	✓	✓
	Tzu-Ping Jen	Male	71-80	✓		✓	✓	✓	✓	✓	✓	✓
	Chung-Hung Liao	Male	51-60		✓	✓	✓	✓	✓	✓	✓	✓
	Chao-Li Chen	Female	51-60		✓	✓	✓	✓	✓	✓	✓	✓

· Specific management objectives and achievement of the diversity policy on board members:

Management objectives	Achievement
The members of the board of directors shall include at least one director of different gender.	Achieved
No independent director shall have a tenure longer than three consecutive terms.	Achieved
At least one of the independent directors is a specialist in finance and accounting.	Achieved
Have no fewer than four independent directors	Achieved
More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.	Achieved
Sufficient and diverse professional knowledge and skills	Achieved

(2). Independence of the Board of Directors:

As of the publication date of the annual report, the Board of Director was composed of 4 independent directors and 5 ordinary directors. All independent directors complied with the requirements on independent directors stipulated in the Securities and Exchange Act. The number of directors who are a spouse or a relative within the second degree of kinship of another director did not exceed 2. None of the matters listed in Article 26-3, Paragraph 3 and Paragraph 4 applied. In addition, the Company has an

Audit Committee, which is composed of all independent directors and responsible for supervising the fair presentation of the Company's financial statements; appointing and dismissing attesting CPAs and assessing their independence and performance; effectively implementing the Company's internal control system; ensuring that the Company comply with relevant laws and regulations; and controlling the Company's existing or potential risks. For the operation of the Audit Committee, please refer to "Three. Corporate Governance Report / IV. Status of Corporate Governance Operation / (II) Status of Operation of the Audit Committee."

(II) Information on the president, vice presidents, assistant vice presidents, and the heads of all the Company's divisions and branch units

Unit: shares; % April 30, 2023

Title	Nationality	Name	Gender	Date elected	Shareholding		Shareholding of spouse or minor children		Shareholding by nominee arrangement		Major work experience and academic qualifications	Current employment with other companies	Spouse or relatives within second degree of kinship who are other managers of the Company			Remarks
					Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held			Title	Name	Relations	
President	R.O.C	The-Hsin Wang	Male	2014/10/1	13,926,913	6.87%	5,530,473	2.73%	-	-	EMBA, National Central University	Chairman, Yuan Lin Investment Co., Ltd. Director, Yuan Lin Shanghai Co., Ltd. Chairman, Mosa Safety System Corp. Supervisor, Yong Xin International Investment Co., Ltd. Representative of a corporate director, Maoqiang Technology Co., Ltd.	-	-	-	(Note)
Executive Vice President	R.O.C	Ho-Chung Fu	Male	2024/2/1	-	-	-	-	-	-	Ph.D., Department of Materials, National Sun Yat-sen University Dean, Office of Industry-Academia Collaboration, National Kaohsiung University of Science and Technology Director-general, Economic Development Bureau, Kaohsiung City Government Managing Director, Bank of Kaohsiung Co., Ltd. Director, Kaohsiung Port Land Development Co., Ltd.	President, Kaohsiung Branch of Chinese Institute of Engineers Director, Chienkuo Technology University	-	-	-	
Vice President	R.O.C	Yu-Ying Wang	Male	2018/6/1	120,744	0.06%	-	-	-	-	Department of Mechanical Engineering, National Chiayi University Manager, Guotong Automobile Co., Ltd.	Representative of a corporate director, Mosa Safety System Corp.	-	-	-	
Assistant Vice President	R.O.C	Nung-shan Yeh	Male	2014/7/1	255,380	0.13%	-	-	-	-	Department of Mechanical Engineering, National Taipei Institute of Technology assistant vice president, GREAT CITY JEN HO INDUSTRIAL CO., LTD.	None	-	-	-	
Assistant Vice President	R.O.C	Chia-Hsin Lee	Male	2013/9/10	387,467	0.19%	-	-	-	-	Department of Materials Science and Engineering, National Tsing Hua University Deputy Manager of the Manufacturing Department, TSMC Deputy section chief of the Production Management Section of Formosa Plastics Optoelectronics Co., Ltd.	None	-	-	-	
Assistant Vice President	R.O.C	Chun-Chai Lin	Male	2013/9/10	277,167	0.14%	-	-	-	-	Institute of Industrial Engineering, National Chiao Tung University Consultant, China Productivity Center Quality Assurance Manager, JING HE SCIENCE CO., LTD. Director, Thailand Factory, Karma Medical Products CO., LTD.	None	-	-	-	
Assistant Vice President	R.O.C	Hui-Ping Chuang	Female	2019/4/1	-	-	-	-	-	-	Department of Accounting, Shih Chien University Assistant vice presidents of business, Underwriting Department, Grand Fortune Securities Co., Ltd.	Representative of a corporate supervisor, Mosa Safety System Corp.	-	-	-	

Title	Nationality	Name	Gender	Date elected	Shareholding		Shareholding of spouse or minor children		Shareholding by nominee arrangement		Major work experience and academic qualifications	Current employment with other companies	Spouse or relatives within second degree of kinship who are other managers of the Company			Remarks
					Number of shares	Percentage of shares held	Number of shares	Percentage of shares held	Number of shares	Percentage of shares held			Title	Name	Relations	
											Deputy Manager, Capital Market Division, SinoPac Securities					
Manager	R.O.C	Chun-Hsiang Hsieh	Female	2008/7/22	255,000	0.13%	-	-	-	-	Department of Business Administration, National Sun Yat-sen University NEXIA Sun Rise CPAs & Co.	None	-	-	-	

Note: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer).

The Company's Chairman concurrently serves as the Company's President mainly in order to maintain customer relationships, develop business, and improve operating efficiency. However, in order to enhance the independence of the Board of Directors, the Company has increased the number of independent director seats to four to enhance the occupational and supervisory function of the Board of Directors. At present, the Company has the following specific measures in place to strengthen the occupational functions of the Board of Directors.

1. The four incumbent independent directors are an expert in finance, law, or smart machinery industry.
2. Independent directors can have open dialogue in each functional committee and put forward suggestions to the Board of Directors for the implementation of corporate governance.
3. Board members all take continuing education courses to enhance board operation performance.
4. Of the directors, three are women, and more than half are not concurrently an employees or a manager.

III. Remuneration paid during the most recent fiscal year to directors, supervisors, the president, and vice presidents

(I) Remuneration of ordinary directors and independent directors (disclosure of individual names and remuneration methods)

2023 unit: NT\$ thousand; %

Title	Name	Remuneration to directors								Total Remuneration (A+B+C+D) as a % of the Net Income		Remuneration received for serving as an employee concurrently								Total Remuneration (A+B+C+D+E+F+G) as a % of the Net Income		Remuneration from investees other than subsidiaries or from the parent company																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
		Base remuneration (A)		Severance and pension (B)		Remuneration to directors (C)		Business execution expenses (D)				Remuneration, bonus, and allowance (E)		Severance and pension (F)		Employee remuneration (G)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
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*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

(II) Supervisor's remuneration: not applicable

(III) Remuneration to the President and Vice Presidents (disclosure of individual names and remuneration methods)

2023 unit: NT\$ thousand; %

2023 Unit: NT\$ thousand, %

Title	Name	Salary (A)		Severance and pension (B)		Bonus and special reimbursement (C)		Employee remuneration (D)				Total Remuneration (A+B+C+D) as a % of the Net Income		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	The-Hsin Wang	4,171	4,171	-	-	50	50	-	-	-	-	4,221 -1.14%	4,221 -1.14%	None
Vice President	Yu-Ying Wang	1,592	1,592	99	99	383	383	-	-	-	-	2,074 -0.56%	2,074 -0.56%	None

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

(IV) The Company's five highest remunerated management personnel (disclosure of individual names and remuneration methods)

2023 unit: NT\$ thousand; %

Title	Name	Salary (A)		Severance and pension (B)		Bonus and special reimbursement (C)		Employee remuneration (D)				Total Remuneration (A+B+C+D) as a % of the Net Income		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	The-Hsin Wang	4,171	4,171	-	-	50	50	-	-	-	-	4,221 -1.14%	4,221 -1.14%	None
Vice President	Yu-Ying Wang	1,592	1,592	99	99	383	383	-	-	-	-	2,074 -0.56%	2,074 -0.56%	None
Assistant Vice President	Nung-shan Yeh	1,763	1,763	106	106	187	187	-	-	-	-	2,056 -0.55%	2,056 -0.55%	None
Assistant Vice President	Chia-Hsin Lee	1,386	1,386	83	83	557	557	-	-	-	-	2,026 -0.55%	2,026 -0.55%	None
Assistant Vice President	Hui-Ping Chuang	1,361	1,361	87	87	138	138	-	-	-	-	1,586 -0.43%	1,586 -0.43%	None

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

(V) Names and Distributions of Employee Remuneration to Managerial Officers

2023; unit: NT\$ thousand; %

	Title	Name	Stock amount	Cash amount	Total	Proportion of total amount to net income (%)
Managers	President	The-Hsin Wang	-	-	-	-
	Vice President	Yu-Ying Wang				
	Assistant Vice Presiden	Chia-Hsin Lee				
	Assistant Vice Presiden	Chun-Chai Lin				
	Assistant Vice Presiden	Nung-shan Yeh				
	Assistant Vice Presiden	Hui-Ping Chuang				
	Manager	Chun-Hsiang Hsieh				

(VI). Separately compare and describe total remuneration, as a percentage of net income indicated on the parent company only financial statements or individual financial statements, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of total remuneration, as a percentage of net income indicated on the parent company only financial statements or individual financial statements, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents

Unit: NT\$ thousand

Title	The Company				All consolidated entities			
	2022		2023		2022		2023	
	Total remuneration amount	A percentage of net income	Total remuneration amount	A percentage of net income	Total remuneration amount	A percentage of net income	Total remuneration amount	A percentage of net income
Director	5,658	10.14%	5,232	-1.41%	5,658	10.14%	5,232	-1.41%
President and vice presidents	6,481	11.61%	6,295	-1.70%	6,481	11.61%	6,295	-1.70%
Net income	55,802	-	-371,062	-	55,802	-	-371,062	-

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

(1) The remuneration to the directors of the Company includes the remuneration for execution of their duties and the distribution of remuneration to directors. According to the Company's Articles of Incorporation, no more than 3% of the profit, if any, shall be allocated as the remuneration to directors. The principle of distribution of remuneration to directors (excluding independent directors) is based on their functions, involvement in operations, contribution value, and acting as a joint and several guarantor for the company's financing needs. For these, different weights are given to calculate distributable remuneration. After the Remuneration Committee has made the decision, it submits the resolution to the board of directors for approval and reports to the shareholders'

meeting. In consideration that the independent directors also act as the members of functional committees and, in addition to the board of directors, participate in the discussion and voting at the committee meeting, their remunerations are paid monthly at a fixed amount. The Chairman receives compensation according to Article 16 of the Articles of Incorporation for his effort in dealing with the matters of the Company. For the compensation to the Chairman, the HR department make a measurement and raise a proposal in consideration of the competitive environment and operational risks, and in accordance with the Company's Regulations for Salary Management and the result of the business operations. The Remuneration Committee gives its approval after evaluating the operating results and performance, and submits it to the board of directors for resolution.

- (2) Remuneration to the President and Vice Presidents includes salary, bonus, employee remuneration and pension. The remuneration consists of a fixed salary and a variable bonus. The fixed salary is the base salary and various extras and allowances approved according to the grade and the salary scale table; the bonus is based on the overall operating performance of the Company and the personal performance evaluation. The President and Vice Presidents set the targets and execute planning of strategic goals for the coming year by the end of each year in accordance with the overall goals of the Company's business plan for the next year. KPIs need to be set for evaluation of performance goals. Mid-term and final evaluations must be conducted and reasonable remuneration is provided based on the evaluation result and the Company's overall operating performance. The main operating performance and strategic goals include:

A. Revenue, gross profit, net profit

B. With respect to specific important technologies or products, production yields, new customers, and development of new products, achieve specific strategic goals within a set period

C. Material strategic goals related to sustainable development

Employees' remuneration is determined in accordance with the Company's Articles of Incorporation. 5% - 15% of the profit, if any, shall be set aside as remuneration. The proportion of the remuneration is calculated in consideration of the position, the responsibility taken, whether there is any penalty for causing a negative impact on the Company, and the results of individual managers' KPIs. The pension is dealt with in accordance with labor-related laws and regulations.

- (3) The reasonableness of the remuneration to the above-mentioned directors, president, vice president and managerial officers is reviewed by the Remuneration Committee and the board of directors. The remuneration system is reviewed from time to time in accordance with the actual business conditions and relevant laws and regulations.
- (4) The Company's 2023 net loss before tax after deducting the remuneration to employees and directors was NT\$414,407 thousand. In accordance with Article 20 of the Articles of Incorporation, since there was no profit for the year, no remuneration was set aside for directors and employees.

IV. Corporate governance implementation

(I) Operation of the Board of Directors

There were 7 Board of Directors meetings (A) in 2023, with directors' attendance as follows:

Title	Name	No. of meetings attended in person (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Remark
Chairman	Wang Te-Hsin	7	0	100%	
Director	Gao Shi Enterprise Development Co., Ltd. Representative: Tsai Mei-Li	7	0	100%	
Director	Li Ming-Chih	0	0	NA	Resigned on March 1, 2023.
Director	Representative of Yongxin International Investment Co., Ltd.: Lin Wen-Hui	7	0	100%	
Director	Chao-Kao Chen	3	1	75%	Newly elected on June 28, 2023.
Director	Ching-Jung Chen	3	1	75%	Newly elected on June 28, 2023.

Independent director	Cheng Feng-Tsung	7	0	100%	
Independent director	Jen Tzu-Ping	7	0	100%	
Independent director	Liao Chung-Hung	7	0	100%	
Independent director	Chao-Li Chen	4	0	100%	Newly elected on June 28, 2023.

Additional information:

I. If the operations of the Board of Directors is under any of the circumstances below, the date of the board meeting, the session, the content of the proposal, all independent directors' opinions, and the Company's response to said opinions shall be specified:

- (I) Matters specified in Article 14-3 of the Securities and Exchange Act: The Company has established Audit Committee, therefor, Article 14-5 of the Securities and Exchange Act is applicable, Article 14-3 of the Securities and Exchange Act is not applicable, please refer to the description of the "Operation of the Audit Committee" for relevant resolutions.
- (II) Any other documented objections or qualified opinions raised by an independent director against a board resolution: None.

II. In the event of directors' recusal from proposals, the name of director, the content of proposal, the reasons for recusal, and the participation in voting shall be specified:

Date of Board of Directors meeting Session	Motion content	Name of director who recused himself/herself	Reason for recusal	Participation in voting
2023/8/8 2 nd . meeting of the 12th term	Proposal to distribute directors' remuneration, and to distribute employee remuneration to managers, for 2022.	Chairman Wang Te-Hsin, Director Tsai Mei-Li, Director Lin Wen-Hui	Being an interested party in this proposal, hence recusal from the proposal.	Except directors who are required by law to recuse themselves from discussion and voting, the rest directors present approved the proposal as proposed.
2023/12/22 4 th . meeting of the 12th term	Proposal on the year-end bonus to be distributed to the Company's managers of 2023.	Chairman Wang Te-Hsin, Director Lin Wen-Hui		
	Proposal on the remuneration for the Company's chairman for 2024.	Chairman Wang Te-Hsin, Director Lin Wen-Hui		
	Proposal on the remuneration for the Company's managers for 2024.	Chairman Wang Te-Hsin, Director Lin Wen-Hui		
	Proposal to allow managers to participate in the employee share subscription in the follow-on offering in 2022.	Chairman Wang Te-Hsin, Director Lin Wen-Hui		

III. Status of implementation of evaluation of the performance of the Company's Board of Directors:

Cycle	Period	Scope	Method	Content
Once a year	January 1, 2023 through December 31, 2023	The Board of Directors as a whole	Self-evaluation by the Board of Directors	1. The degree of participation in the Company's operations. 2. Improving the Board of Directors' decision-making quality. 3. Composition and structure of the Board of Directors. 4. Election and continuing education of directors. 5. Internal control.
Once a year	January 1, 2023 through December 31, 2023	individual directors	Self-evaluation by directors	1. Grasp of the Company's goals and tasks 2. Awareness of the duties of directors 3. The degree of participation in the Company's operations. 4. Internal relationship management and communication 5. Directors' professionalism and continuing education. 6. Internal Control
Once a year	January 1, 2023 through December 31, 2023	Remuneration Committee; Audit Committee	Self-evaluation by committee members	1. The degree of participation in the Company's operations. 2. Awareness of the duties of functional committees

				3. Improving the functional committee's decision-making quality. 4. Composition of functional committees and election of members 5. Internal control.
IV. Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof: (I) Continue to strengthen the structure of the board of directors: 1. In order to enhance corporate governance, and to strengthen the role of the Board of Directors, the Company has nominated and selected directors with a view to ensuring a diversity of directors. The board of directors has two female members; members possess the knowledge and proficiency in industry, accounting, law, business management, and the international market. They possess the knowledge, expertise, and literacy requisite for performing their duties. In 2023, all directors received 66 hours of continuing education courses to stay up-to-date with professional knowledge and skills. 2. The Company set up its Remuneration Committee as early as December 2016; the committee is obliged to assist the Board of Directors when it comes to evaluation of performance of directors and managers, the policy, system, and structure with respect to their remuneration, and suggestion of remuneration content for each individual. The Company also continue to enhance the independence of the Remuneration Committee. The latest Remuneration Committee members were appointed in June 2023 and composed solely of independent directors. 3. The Company set up an audit committee in June 2018; the committee is composed of all independent directors in order to strengthen the Company's internal monitoring mechanism, and review the risks and reasonability entailing in revision of internal control systems, financial statements, loaning of funds, endorsement and guarantees, and acquisition or disposal of assets. (II) Effectively fulfill the Board of Directors' functions: 1. The Company acquires liability insurance for all directors so they can perform their duties without any reservations; this also allows the Company to pursue the best interests of itself and its shareholders. 2. The four independent directors of the Company had not held office for longer than three successive terms by December 31, 2023. 3. In August 2022, the board of directors of the Company gave the green light for the creation of a chief governance officer (CGO); it also set up the "Standard Operating Procedures for Processing Directors' Requests" to help directors in their duties and enhance the potency of the board of directors. 4. The Company formulated the "Board of Directors Performance Evaluation Guidelines", by which it assesses the performance of the entire board of directors, individual directors, remuneration committee, and audit committee annually. The Company retrieved the questionnaire on self-evaluation of the performance of the board of directors, board members and functional committees in 2023. The statistics collected demonstrated a performance level that was "markedly above the norm". Each evaluation indicator indicated an effective and efficient operation, thus a sound operation of the Company's Board of Directors and each functional committee, signifying compliance with corporate governance. On March 12, 2024, the results of the 2023 annual performance evaluation were handed over to the board of directors. (III) Increasing information transparency: The Company held 7 board meetings throughout 2023, which complies with the requirement of the Rules and Procedures for Board of Directors Meetings that a board meeting be held at least once a quarter. The Company, in accordance with the law, posted its vital resolutions from the board meeting on the Market Observation Post System to protect the shareholders' rights and interests; it also designated a dedicated specialist to be responsible for gathering and disclosing the company information, and established a spokesperson system to ensure that all important information is disclosed in a timely and appropriate manner.				

(II) The state of operation of the audit committee or the state of participation in board meetings by the supervisors
There were 5 (A) Audit Committee meetings in 2023, with the attendance of independent directors as follows:

Title	Name	Number of meetings attended in person (B)	Attendance by proxy	Attendance (%) (B/A)	Remark
Independent director	Cheng Feng-Tsung	5	0	100%	
Independent director	Jen Tzu-Ping	5	0	100%	
Independent director	Liao Chung-Hung	5	0	100%	
Independent director	Chao-Li Chen	3	0	100%	Newly elected on June 28, 2023.

Additional information:

I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

1. Matters listed in Article 14-5 of the Securities and Exchange Act

Audit Committee Meeting Date Session	Audit Committee meeting proposal content	Independent directors' objections, qualified opinion, or major suggestions	The outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
2023/3/13 14th meeting of the 2nd term	• The Company's accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of December 31, 2022 were not loans to others. • Proposal on the Company's 2022 Business Report, and Financial Statements. • Proposal on assessment of the effectiveness of the Company's 2022 Internal control system, and on the Statement on Internal Control. • Proposal on the formulation of the Company's "Non-Assurance Services Pre-Approval Policy".	None	Outcomes of audit committee resolutions: All members present approved the proposal as proposed without objection.
2023/5/8 15th meeting of the 2nd term	• The Company's accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of March 31, 2023 were not loans to others. • The Company's 2023Q1 Consolidated Financial Statements. • Proposal on the 2022 Earnings Distribution.		Measures taken by the Company based on the opinions of the audit committee: N/A.
2023/8/8 1st meeting of the 3rd term	• The Company's accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of June 30, 2023 were not loans to others. • The Company's 2023Q2 Consolidated Financial Statements. • Proposal on the Company issued 1st Domestic Unsecured Convertible Corporate Bonds. • Proposal on the formulation of the Company's "Procedures for Compilation and Verification of Sustainability Report". • Proposal on amendments to the Company's "Rules of Procedure for Board of Directors Meetings". • Proposal on the Company's provision of endorsement and guarantee for a subsidiary's credit facility taken out from a bank.		
2023/11/7 2nd meeting of the 3rd term	• The Company's accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of September 30, 2023 were not loans to others.		

	• The Company's 2023Q3 Consolidated Financial Statements. • Proposal on the formulation of the Company's "Regulations Governing Operations in relation to Finance and Business between Related Parties". • Proposal on the Company's provision of endorsement and guarantee for a subsidiary's credit facility taken out from a bank.		
2023/12/22 3rd meeting of the 3rd term	• Proposal to evaluate the independence and competence of the Company's attesting CPAs. • The Company's 2024 audit plan.		

2. Any other resolutions that were approved by two thirds of Board members but not approved by the Audit Committee other than those described above: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of independent directors concerned, the motions, the nature of conflicting interests, and the voting process: None.

III. Communication between independent directors, chief internal audit officer, and CPAs:

1. The audit committee of the company is composed of all independent directors. It meets at least once a quarter, or at any time as needed.
2. Communication between the chief internal audit officer and the Audit Committee:
 - (1) Before the end of the next month, the monthly audit report which was carried out in accordance with the audit plan must be shown to the independent directors for inspection either by email or in person.
 - (2) At a minimum, the audit committee meeting will review the progress of the audit operation quarterly.
 - (3) If extraordinary conditions arise, a person may inform the audit committee members immediately. No extraordinary conditions took place as of the issue date of the annual report.
3. Communication between CPAs and the Audit Committee:
 - (1) The Company's attesting CPAs communicate with the Audit Committee on the content of, and exchange opinions on, the matters required by law to be disclosed.
 - (2) The Audit Committee may make use of diverse communication channels (e.g., by telephone or e-mail, or in person) to communicate with the Company's attesting CPAs on the audit and audit outcome of the financial statements for the current period.
 - (3) Should any matter requires considerable communication, a meeting may be arranged depending on the situation.
4. The communication channels between the independent directors, chief internal audit officer, and CPAs are varied and efficient, forging a productive communication.

In 2023, independent directors communicated with the chief internal audit officer and CPAs alone on the following matters:

Date	Method	Communication counterparty	Communication matter	Communication results
2023/3/13	Report at an Audit Committee meeting	Certified Public Accountant	2022 audit findings, key audit matters, and recent changes in law.	The independent directors had no issue with the matters conveyed by the CPAs.
		The chief internal audit officer	Report on the progress of internal audit.	The independent directors had no issue with the progress of internal audit.
2023/12/22	Report at an Audit Committee meeting	Certified Public Accountant	Audit engagement team, audit scope and schedule, identification of significant risks, and key audit matters.	1. The independent directors had no issue with the matters conveyed by the CPAs. 2. The audit committee approved the assessment of the independence of attesting CPAs, and the appointment of the attesting CPAs, and submitted its resolution to the board of directors for resolution.
		The chief internal audit officer	Report on the progress of internal audit.	1. The independent directors had no issue with the progress of internal audit. 2. The Audit Committee approved the "2024 Annual Audit Plan" and submitted it to the Board of Directors for resolution.

The primary yearly objectives of the Audit Committee are outlined below:

I. Formulate or revise the internal control system and important management measures	VI. Offer, issue, or privately place of equity-type securities.
II. Evaluate the effectiveness of the internal control system.	VII. Appoint, dismiss, or approve remuneration to, attesting

	CPAs.
III. Matters involving the interests of the directors themselves.	VIII. Appoint and dismiss financial, accounting or internal audit officers.
IV. Significant asset or derivative transactions.	IX. Annual financial reports and second quarter financial reports.
V. Provide significant loaning of funds, endorsements, or guarantees.	X. Communicate with the chief internal audit officer and CPAs alone.

- Review of financial statements

The Board of Directors has prepared and submitted the Company's 2023 Business Report, Financial Statements, and the Earnings Distribution Proposal, of which the Financial Statements were audited by CPAs from Deloitte Taiwan, who have also furnished an independent auditors' report. The above business report, financial statements and earnings distribution motion have been audited by the Audit Committee and no discrepancy has been found.

- Appointment of CPAs

The independence and competence of the CPAs are evaluated with reference to the "Audit Quality Indicator Report (AQI Report)" of Deloitte Touche and the "Statement of Independence" issued by the CPAs. The Audit Committee approved at the meeting on December 22, 2023 that both CPAs Tseng Tung-Yun and Su Ting-Chien of Deloitte Touch, meet the Company's independence evaluation criteria and are qualified to act as the CPAs of the Company.

- Offering of securities

Review of the issuance of the first domestic unsecured convertible corporate bonds: In order to repay the bank borrowings, the Company intends to issue the first domestic unsecured convertible corporate bonds to a total amount of NT\$550 million. The Audit Committee reviewed and approved the issuance on August 8, 2023 and submitted to the board of directors for resolution.

(III) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the Reasons

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
1. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		In order to establish a sound corporate governance system, the Company has established its "Corporate Governance Best Practice Principles", which is disclosed on the Company's website, by referencing the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".	No major deviation
2. The Company's shareholding structure and shareholders' equity				
(1) Has the Company formulated internal operating procedures for handling shareholders' suggestions or questions or disputes and litigation with them and complied with the procedures?	✓		(I) The Company formulated the "Corporate Governance Best Practice Principles", and appointed a spokespersons and deputy spokespersons as contacts, through which shareholders' inquiries are processed by dedicated personnel by phone or email; where legal matters are involved, they will be handled by the Legal.	No major deviation
(2) Does the Company have a list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders?	✓		(II) The Company files a report on changes in equity of insiders in accordance with regulations every month, keeps in touch with major shareholders; in doing so, the Company is able to grasp the list of major shareholders and their ultimate controllers.	No major deviation
(3) Has the Company established and implemented a risk control and a firewall mechanism between itself and affiliates?	✓		(III) By devising its "Regulations Governing Operations in relation to Finance and Business between Related Parties" and "Operating Procedures for Monitoring and Managing Subsidiaries", the Company has set forth specific regulations for any business and financial transaction between the Company and affiliates, thereby erecting a risk control mechanism.	No major deviation
(4) Has the Company formulated internal regulations to prohibit insiders from using information undisclosed in the market to buy and sell securities?	✓		(IV) The Company has devised the "Procedures for Handling Material Inside Information" as a means of creating an effective material information handling and disclosure system to prevent the improper release of information. Annually, the Company notifies all employees of procedures and arranges for directors to attend additional courses. Company insiders, including employees, are not allowed to purchase or sell securities using information that has not been made public.	No major deviation
3. Composition and responsibilities of the Board of Directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they	✓		(I) 1. The Company stipulates in its "Corporate Governance Best Practice Principles" and "Regulations Governing the Election of Directors" that the composition of	No major deviation

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
been fully implemented?			the board of directors consider diversity and an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated. It is advisable that the policy include, without being limited to, the following two general standards: (1). Basic requirements and values: Gender, age, nationality, and culture. (2). Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. 2. The 12th board of directors consists of nine directors (four of which are independent directors). Please see page 15 of this annual report for information on the diversification of the board of directors, concrete management objectives and their implementation.	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration and the audit committees established in accordance with the law?		✓	(II) The remuneration committee and the audit committee have been set up and the Company will assess if more functional committees should be created if the need arises in the future.	Will be established if need be
(3) Has the Company formulated board performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the board of directors, and adopted such results as a reference for deciding the remuneration of and nominating candidates for individual directors?	✓		(III) The Company has formulated the "Board of Directors Performance Evaluation Guidelines", by which it evaluates the performance of the board of directors (including functional committees) at least once a year. A performance evaluation must be done by an external professional independent organization or an external team of experts and scholars on a tri-annual basis. A performance evaluation of the board of directors, both internal and external, must be concluded and the results given to the board of directors no later than the close of the first quarter of the next year. The items for evaluation of the performance of the board of directors can be categorized into the following five aspects: (1). The degree of participation in the Company's operations. (2). Improving the Board of Directors' decision-making quality. (3). Composition and structure of the Board of Directors. (4). Election and continuing education of directors. (5). Internal control.	No major deviation

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(4) Does the Company regularly assess the independence of the CPAs?	✓		The items for evaluation of the performance of the board of directors members can be categorized into the following six aspects: (1). Grasp of the Company's goals and tasks. (2). Awareness of the duties of directors. (3). The degree of participation in the Company's operations. (4). Internal relationship management and communication. (5). Directors' professionalism and continuing education. (6). Internal control. The items for evaluation of the performance of the Audit Committee and Remuneration Committee can be categorized into the following five aspects: (1). The degree of participation in the Company's operations. (2). Awareness of the duties of functional committees. (3). Improving the functional committee's decision-making quality. (4). The composition and selection of members of the functional committee. (5). Internal control. The Company retrieved the questionnaire on self-evaluation of the performance of the board of directors, board members, Audit Committee, and Remuneration Committee of 2023. The statistics collected demonstrated a performance level that was "markedly above the norm". The evaluation results were submitted to the Board of Directors meeting dated March 12, 2024 and would be used as reference for individual director's remuneration and nomination for another term of office. (IV) The Audit Committee of the company regularly evaluates the independence of attesting CPAs every year, and then submits the evaluation results to the board of directors. The latest evaluation results were approved by the audit committee on December 22, 2023 and handed over to the board of directors on the same day. The Company obtained the "Audit Quality Indicator Report (AQI Report)" of the CPA firm and the "Statement of Independence" issued by the CPAs. Important assessment items are listed as follows: 1. The audit engagement team members and their families, other partners of the firm and their families do not have a direct financial interest or material	No major deviation

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
			indirect financial interest with the Company. 2. The firm or audit engagement team members do not have a significant close business relationship with the Company or the Company's affiliates. 3. The audit engagement team members do not enter into a potential employment negotiations with the Company at present. 4. The audit engagement team members are not commissioned to defend the Company's opinion or standing, or mediate any conflict between the Company and a third party on behalf of the Company. 5. No member of the engagement team is a relative who is a director, or officer of the Company or an employee of the Company who is in a position to exert significant influence over the subject matter of the engagement. 6. The Company does not make any member of the engagement team sustain or feel a threat that they will be deterred from acting objectively. 7. No CPA has served for more than seven years and a statement of independence issued by CPAs has been obtained. 8. Obtain the information on the 13 AQIs provided by the CPA firm to assess its quality management system and the audit team's audit of the Company. Assessment results: 1. The independence between the members of the audit service team (including CPAs) and the Company complies with the Certified Public Accountant Act and the Code of Ethics for Certified Public Accountants. 2. The Company does not appoint the same CPAs for seven consecutive years. 3. The training hours of CPAs are higher than the industry average, and their case load is reasonable. In addition, the cloud audit platform and digital technology have been continuously introduced in the most three years to improve the audit quality. 4. In summary, it is confirmed that the CPAs meet the standards of independence and competence.	
4. Has the Company has appointed an appropriate number of competent corporate governance personnel and	✓		The Company's Board of Directors meeting dated August 9, 2022 resolved to appoint a senior executive who had been a financial officer for more than three years as the	No major deviation

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor												
	Yes	No	Brief description													
designated a corporate governance officer to be responsible for corporate governance affairs (including but not limited to providing directors and supervisors with the materials required for performance of their duties, assisting directors and supervisors with compliance, handling matters related to board meetings and the shareholders' meetings, and preparing minutes of board meetings and shareholders' meetings)?			chief governance officer, who would be responsible for corporate governance related matters. (I) The duties of the chief governance officer were implemented, and described as follows: 1. Assist independent directors and ordinary directors to perform their duties; provide required materials; and arrange continuing education for directors; 2. Assist in the legal compliance of the procedures and resolutions of the meetings of the Board of Directors, Audit Committee, Remuneration Committee, and shareholders. 3. Give a meeting notice to directors at least 7 days prior to the meeting date; convene a meeting and provide meeting materials, and complete the Board of Directors meeting minutes within 20 days after the meeting date. 4. Handle the shareholder meeting in accordance with the law and provide meeting notices, procedure manuals, and minutes within the statutory time frame. (II) In 2023, the status of continuous education for the chief governance officer is described as follows: <table><tr><th>Organizer</th><th>Course title</th><th>Hours of continuing education courses</th></tr><tr><td>Taiwan Stock Exchange and Taipei Exchange</td><td>Promotional Meeting on Sustainable Issuance for TWSE/TPEX Listed Companies</td><td>3</td></tr><tr><td>Taiwan Stock Exchange</td><td>2023 Cathay Sustainable Financial and Climate Change Summit</td><td>6</td></tr><tr><td>Corporate Operating and Sustainable Department Association</td><td>An Overview of Insider Trading Regulations and Analysis of Practical Cases</td><td>3</td></tr></table>	Organizer	Course title	Hours of continuing education courses	Taiwan Stock Exchange and Taipei Exchange	Promotional Meeting on Sustainable Issuance for TWSE/TPEX Listed Companies	3	Taiwan Stock Exchange	2023 Cathay Sustainable Financial and Climate Change Summit	6	Corporate Operating and Sustainable Department Association	An Overview of Insider Trading Regulations and Analysis of Practical Cases	3	
Organizer	Course title	Hours of continuing education courses														
Taiwan Stock Exchange and Taipei Exchange	Promotional Meeting on Sustainable Issuance for TWSE/TPEX Listed Companies	3														
Taiwan Stock Exchange	2023 Cathay Sustainable Financial and Climate Change Summit	6														
Corporate Operating and Sustainable Department Association	An Overview of Insider Trading Regulations and Analysis of Practical Cases	3														

Item	Operations					Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description			
			Corporate Operating and Sustainable Department Association	The Recent Update of ESG Regulations in Taiwan and the Potential Risk of ESG to Corporate Operations.	3	
5. Has the Company has established communication channels with stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and set up a section dedicated to stakeholders on the Company's website to properly respond to stakeholders' major CSR issues of concern?	✓		The Company has a spokesperson and a deputy spokesperson; it has further set up a Stakeholders zone and an email box on its website, where dedicated personnel will process the issues concerning stakeholders and, based on the scope and nature of issues concerting stakeholders (employees, shareholders/investors, customers/consumers, suppliers, government agency/competent authority, and community), transfer the case to responsible units for processing and response. In doing so, the Company hopes to swiftly respond to major corporate social responsibility issues concerning stakeholders.			No major deviation
6. Does the Company appoint a professional stock affairs agency to handle the affairs related to shareholders' meetings?	✓		The Company has appointed the Shareholders' Agent Department of the Grand Fortune Securities Co., Ltd., a professional stock agent, to handle the Company's stock affairs.			No major deviation
7. Information disclosures						
(1) Has the Company set up a website to disclose information on financial business and corporate governance?	✓		(I) The Company has set up a company website (URL: http://www.twmosa.com) to disclose financial, business, and corporate governance information.			No major deviation
(2) Does the Company adopt other methods to disclose information (such as setting up an English website, designating personnel to collect and disclose company information, implementing a spokesperson system, or placing the proceeding of investor conferences on the Company website)?	✓		(II) 1. The Company has assigned dedicated personnel to maintain its website, gather information on the Company, and disclose material information. 2. To bolster the Company's external communication channels, a spokesperson and a deputy spokesperson have been appointed by the Company. 3. In 2023, the Company attended an earnings conference to disclose its business performance; relevant data and link were posted on the Company's website.			No major deviation
(3) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the	✓		(III) The Company publishes and makes official filing of annual financial report, Q1, Q2 and Q3 financial reports, and monthly business performance statements before the required due dates. Although the Company did not publish and makes official filing of its annual financial report within 2 months after the closing of a			The annual financial report has yet to be available before

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?			fiscal year, the Company has published and made official filing of annual financial report, Q1, Q2 and Q3 financial reports, and monthly business performance statements before the required due dates .	the end of February.
8. Does the Company have other important information that facilitates the understanding of the operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of client policies, and the Company's purchase of directors and supervisors liability insurance)?	✓		Yes; other important information that is helpful to understand the Company's implementation of corporate governance is as follows: (I) Employees' rights and interests: Adhering to the Labor Standards Act and the Company's personnel regulations, the Company has purchased health insurance and labor insurance for employees and contributed the required pension, so as to ensure employees rights to employee benefits and benefits under the retirement system. (II) Employee care: Through the benefits system and trainings, the Company aims to build an employment relationship full of trust with employees. In addition, to maintain employees' rights at work and provide a working environment free of sexual harassment, the Company has put in place the "Regulations for Prevention and Reporting of Sexual Harassment and Punishment Therefor" . In addition, it regularly employs occupational experts to visit the factory and provide employees with advice on health issues, prevention of occupational diseases, and health check-up questions. (III) Investor relations: The Company appoints both a spokesperson and a deputy spokesperson to ensure efficient communication between itself and its investors; it further discloses public information in a timely manner based on the principle of good faith, so as to uphold investors' interests. (IV) Supplier relationship: In addition to devising its "Operating Procedures for Supplier Management" and relevant regulations, the Company also regularly assesses suppliers or gives them guidance if need be, so as to ensure quality and fulfill the delivery date. It also maintains a good interaction with suppliers, aiming to forge a partnership for mutual prosperity. (V) Rights of interested parties: The Company is devoted to setting up multiple ways of communication and furnishing enough data to customers, shareholders and related stakeholders; it also gathers information about the issues of interest to stakeholders and assesses whether the implementation of different activities is	No major deviation

Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
			effective in addressing the concerns of stakeholders. (VI) The status of directors' continuing education in 2023, please refer to Attachment 1. (VII) Implementation of risk management policies and risk measurement standards: The Company's major business proposals, including capital expenditures, endorsement and guarantees, loaning of funds, and bank financing facility may be implemented only after an evaluation by responsible units and a resolution by the Board of Directors. The Audit Office designs its year-long audit plan based on the risk assessment results, and executes it to put the control system in place and set up a reliable risk management system. (VIII) Implementation of customer policy: By understanding customers' needs, the Company provides them with tailored, quality products. By promptly responding to customer complaints and fully communicating with them, the Company makes a review for improvement at a management meeting and production and sales meeting. (IX) Every twelve months since 2017, the Company has purchased a liability insurance for directors and important staff; it continued to do so in 2023. The insurance period is from 2023/12/31 to 2024/12/31. Such purchase was reported to the board of directors on 2023/12/22.	
IX. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center. (Companies excluded from the evaluation need not respond) (I) The Company was ranked among the top 51%~65% TWSE-listed companies in the 9th Corporate Governance Evaluation in 2022. The evaluation items below in this year have outperformed last year's results are as follows: 1. More than half the directors (including the chair of the auditor's committee), attended the shareholder's meeting in the year 2022 in person, and a record of the attendance was recorded in the minutes of the meeting. 2. In 2022, a chief governance officer was appointed to oversee corporate governance-related matters. The scope of authority vested in them and their training status were disclosed on the Company's website and in the annual report. 3. As of 2022, a distinct information security officer and distinct information security staff have been appointed to devise, monitor, and execute information security management. (II) Priorities to improve the performance in the Corporate Governance Evaluation by item are as follows: 1. Intend to upload the annual report, annual financial report, shareholders' meeting handbook, and supplementary meeting materials in both Chinese and English language within the assigned time frame. 2. Schedule to be asked to have two earnings call sessions, each with more than three months in between them. 3. Plan to compile a sustainability report. 4. Assess the need for establishing non-statutory committees.				

Attachment 1: The status of directors' continuing education in 2023

Title	Name	Course date	Organizer	Course title	Hours of courses
Director	Te-Hsin Wang	2023.12.12	Corporate Operating and Sustainable Department Association	Recent Updates on ESG Regulations in Taiwan and Potential Risks Arising from ESG for Enterprises.	3
		2023.12.12		Legal Framework and Case Study Analysis of Insider Trading.	3
Director	Wen-Hui Lin	2023.12.12	Corporate Operating and Sustainable Department Association	Recent Updates on ESG Regulations in Taiwan and Potential Risks Arising from ESG for Enterprises.	3
		2023.12.12		Legal Framework and Case Study Analysis of Insider Trading.	3
Director	Mei-Li Tsai	2023.8.10	Taiwan Corporate Governance Association	The Impact of the Integration of Real Estate 2.0 and the Impact of the CFC System on Individuals.	3
		2023.12.12	Corporate Operating and Sustainable Department Association	Recent Updates on ESG Regulations in Taiwan and Potential Risks Arising from ESG for Enterprises.	3
		2023.12.12		Legal Framework and Case Study Analysis of Insider Trading.	3
Director	Chao-Kao Chen	2023.5.10	Taiwan Corporate Governance Association	The Impact of Global Trends on the Enterprises in Taiwan and Related Analysis.	3
		2023.11.2		New Economy under ESG and New Opportunities from Corporate Transformation.	3
Director	Ching-Jung Chen	2023.10.13	Securities & Futures Institute	2023 Insider Trading Prevention Conference.	3
		2023.12.20	Corporate Operating and Sustainable Department Association	Ethical Corporate Management and perfidy as a Crime: Theory and Practice.	3
Independent director	Feng-Tsung Cheng	2023.12.12	Corporate Operating and Sustainable Department Association	Recent Updates on ESG Regulations in Taiwan and Potential Risks Arising from ESG for Enterprises.	3
		2023.12.12		Legal Framework and Case Study Analysis of Insider Trading.	3
Independent director	Tzu-Ping Jen	2023.8.10	Taiwan Corporate Governance Association	The Impact of the Integration of Real Estate 2.0 and the Impact of the CFC System on Individuals.	3
		2023.10.20	Securities & Futures Institute	2023 Insider Trading Prevention Conference	3
		2023.12.12	Corporate Operating and Sustainable Department Association	Recent Updates on ESG Regulations in Taiwan and Potential Risks Arising from ESG for Enterprises.	3
		2023.12.12		Legal Framework and Case Study Analysis of Insider Trading.	3
Independent director	Chung-Hung Liao	2023.12.12	Corporate Operating and Sustainable Department Association	Recent Updates on ESG Regulations in Taiwan and Potential Risks Arising from ESG for Enterprises.	3
		2023.12.12		Legal Framework and Case Study Analysis of Insider Trading.	3
Independent director	Chao-Li Chen	2023.10.13	Securities & Futures Institute	2023 Insider Trading Prevention Conference.	3
		2023.12.12	Corporate Operating and Sustainable Department Association	Recent Updates on ESG Regulations in Taiwan and Potential Risks Arising from ESG for Enterprises.	3
		2023.12.12		Legal Framework and Case Study Analysis of Insider Trading.	3

(IV) If a remuneration committee or nomination committee has been established by the company, the composition, duties and operation of such committees should be made public.

The Company held a general election of directors on June 28, 2023, and reappointed new members of the Remuneration Committee on the same day; the Company's four independent directors (Cheng Feng-Tsung, Liao Chung-Hung, Jen Tzu-Ping and Chao-Li Chen) were appointed member of the committee. The Remuneration Committee is held accountable for formulating and regularly reviewing the results of evaluation of the performance of directors and managers, in addition to the policy, system, standards, and package of their remuneration, and for regularly assessing and determining their remuneration. The convener of this committee is Mr. Cheng Feng-Tsung; the committee is required to meet at least twice a year, and actually met three times in 2023.

1. Information on members of the Remuneration Committee

April 1, 2024

Title	Title	Name	Professional qualifications and experience	Independence	Number of other public companies where the individual serves as a member of the remuneration committee concurrently
Convener	Independent director	Feng-Tsung Cheng	Please refer to the Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors on page 14 .		1
Committee member	Independent director	Tzu-Ping Jen			1
Committee member	Independent director	Chung-Hung Liao			0
Committee member	Independent director	Chao-Li Chen			0

2. Operation status of the Remuneration Committee

(1). The Company's Remuneration Committee has a total of 4 members.

(2) The term of office of the current committee members: After the general election of the Company's directors of the 12th Board of Directors on June 28, 2023, the Board of Directors resolved to appoint the four independent directors as member of the 4th Remuneration Committee for a term from June 28, 2023 through June 27, 2026. The Remuneration Committee met 3 times (A) in 2022, and members' attendance is outlined as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance (%) (B/A)	Remark
Convener	Feng-Tsung Cheng	3	0	100%	
Member	Tzu-Ping Jen	3	0	100%	
Member	Chung-Hung Liao	3	0	100%	
Member	Chao-Li Chen	2	0	100%	Newly elected on June 28, 2023.

I. Discussions and resolutions of the Remuneration Committee in 2023:

Remuneration Committee meeting date Session	Remuneration Committee meeting proposal content	Remuneration Committee members' opinion Measures taken by the Company in response to the opinions of the remuneration committee
2023/3/13 10th meeting of the 3rd term	Proposal on remuneration to employees and directors of 2022.	Opinion of the Remuneration Committee: All the members present passed the proposal without objection, and submitted it to the Board of
2023/8/8	Proposal to revise the Company's "Regulations for	

1st meeting of the 4th term	Payment of Remuneration to Directors and Managers”.	Directors for discussion. Measures taken by the Company in response to the opinions of the remuneration committee: All directors present approved the proposal.
	Proposal to review and revise the Company's "Board of Directors Performance Evaluation Guidelines", "Regulations for Salary Management", and "Regulations for Performance Evaluation Management".	
	Proposal to submit the proposal to distribute directors' remuneration, and to distribute employee remuneration to managers, for 2022.	
2023/12/22 2nd meeting of the 4th term	Proposal to submit the proposal on the year-end bonus to be distributed to the Company's managers of 2023.	
	Proposal to revise the Company's "Regulations for Salary Management"	
	Proposal to submit the proposal on the remuneration for the Company's chairman for 2024.	
	Proposal to submit the proposal on the remuneration for the Company's managers for 2024.	
	Proposal to submit the proposal on the remuneration for the Company's newly Executive Vice President.	

II. Additional information:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None.
2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.

3. Information on the members of the nomination committee and its operation: Not applicable, because the Company does not have a nomination committee.

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
1. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the board of directors, which supervises the implementation? <u>(Listed companies should report the implementation status instead of stating compliance or giving explanation.)</u>	✓		The Company appointed the President's Office as the unit concurrently responsible for promoting corporate social responsibility in 2020. In 2022, the Company renamed its "Corporate Social Responsibility Best Practice Principles" "Sustainable Development Best Practice Principles", and set up a Sustainable Development Team headed by the President, assembled by the Vice President, and composed of three task forces, namely, Environmental Protection, Social Responsibility, and Corporate Governance. The team is responsible for devising a sustainable development plan, identifying the issues material to the Company's operations and concerning stakeholders, discussing for a plan and coordinating cross-departmental efforts, and continuing to track the implementation results. In 2023, a meeting was held to pinpoint sustainable issues necessitating attention and formulate coping strategies. The President reports the results of implementation of the sustainable development plan and important execution plans to the board of directors every year, so that the board of directors can assess the progress and efficacy of the sustainable development strategy, and provide guidance or suggest changes in a timely fashion. The 2023 sustainable development implementation situation was reported to the Board of Directors. on December 22, 2023.	No major deviation
2. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to company operations as per the principle of materiality? Has the Company formulated relevant risk management policies or strategies? <u>(Listed companies should report the implementation status instead of stating compliance or giving explanation.)</u>	✓		(I) The boundary of the risk assessment is mainly based on the Company's operating base in Huwei Park in Central Taiwan Science Park. The disclosure covers the sustainable development performance of the Company's main business site there during the period from January 2023 to December 2023. (II) The Company identifies the risks entailed in daily operations and may affect its sustainable development, prevents and regulates probable risks, and drafts pertinent early warning measures. The Company evaluates potential environmental, social, corporate governance, and	No major deviation

			information security risks associated with its operations according to the principle of materiality, and devises applicable management tactics and countermeasures to diminish the potential hazard of business disruption. 1. Environmental issues: (1) The Occupational Safety and Health Office is established to support relevant units in acquisition of required permits for operation/setup of permanent pollution sources, permits for water pollution control measures, and waste disposal plan approval letter according to relevant environmental protection laws and regulations. (2) Since products are mainly exported to Europe and Americas, the Company had obtained ISO 14001 environmental management systems certification. (3) Facing the global climate change crisis and the trend of 2050 net zero emissions, we understand the carbon emission status and identify emission hotspots through greenhouse gas inventory, and use these as a basis for evaluating the carbon reduction action plan. 2. Social issues: (1) The Company has obtained the Authorized Economic Organization (AEO) certificate, and continue to obtain other regulatory compliance certificate for products and develop new products in order to comply with customer needs and market regulations. (2) To ensure the that the high-pressure inflators are safe and compliant with the safety regulations of the Europe and the US, the Company had its quality system pass a variety of international certification, e.g., ISO9001, ISO22000, Halal for high-pressure chargers; TUV for high-pressure chargers/cream whippers/soda syphons; NSF for cream whippers and soda syphons; ANFOR (NF D 21-901), REACH, RoHS, LFGB. (3) To mitigate product liability risks, a number of products of the Company have been covered with a product liability insurance. (4) To promote industrial safety and health and prevent occupational accidents, The Company has obtained the certification of ISO 45001 and CNS 45001 occupational safety and health management system. 3. Corporate governance issues:	
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			(1) To guarantee that all personnel and operations of the Company conform to applicable laws and regulations, the Company has established a corporate governance organization and implemented an internal control mechanism. (2) The Company set up its Audit Committee, Remuneration Committee, and the post of chief corporate governance officer to monitor whether the Company complies with relevant laws and regulations, and to implement corporate governance.	
3. Environmental issues				
(1) Has the Company set up an appropriate environmental management system as per its industrial characteristics?	✓		(I) The Company conforms to the environmental protection regulations of the Environmental Protection Agency in terms of process management. As the production facility is situated in Huwei Park in Central Taiwan Science Park, the associated activities must also comply with the autonomous regulations of the Central Taiwan Science Park. Both the Company and Mosa Safety have been awarded ISO 14001 environmental management system certification and ISO 45001 verification. Adhering to the principle of continuous improvement, we invest heavily in the prevention of pollution, conservation of energy and resources, reduction of waste, management of health and safety, prevention of fires and explosions, among other risks, to reduce potential environmental, health, and safety risks.	No major deviation
(2) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?	✓		(II) The Company is committed to environmental protection and energy conservation and carbon reduction. The Company has directed its capital towards wastewater management, air pollution prevention and control, waste reduction, and energy conservation; the Company also strives to improve its manufacturing process. By means of energy-saving measures like improving manufacturing process and replacing equipment, the Company effectively reduce energy consumption and waste generation during the manufacturing process, thereby achieving the carbon reduction goal. In this sense, the Company is actively implementing a wide variety of energy management and conservation measures. The details of implementation are as follows: 1. The dryer and air compressor equipment was replaced in 2023, and lamps were partially replaced with LED lights, saving an estimated electricity of 470,000 kWh per year. This was to reach the objective of energy conservation and minimize the reliance on electricity usage. 2. The Company completed the construction of air pollution control equipment (flare) and obtained the operating permit, effectively	No major deviation

(3) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	✓		reducing VOC emissions, environmental pollutants, and air pollution fees. 3. Roofs were leased to manufacturers to set up solar photovoltaic power generation systems. The total capacity of the solar panel installation is 4,523KW, which can generate 5.78 million kWh of electricity every year. In addition to increasing the Company's revenue, this has also achieved the cooling and insulating effect of buildings and reduced power consumption of indoor air conditioners. 4. The Company advocated for double-sided printing, electronic documents, and recycling and reuse to reduce paper consumption; it also called for garbage sorting, resource recycling, and use of various energy-saving products, such as LED lights, inverter-equipped equipment, sensor lights, to improve the utilization efficiency of various resources. (III) Major risks of climate change to the Company: 1. The more rigorous environmental policies and regulations will lead to higher operating costs. 2. Production efficiency is endangered by climate change, which creates an imbalance between power supply and demand that may cause a production halt or delays in delivery. The Company's opportunities and countermeasures: While climate change poses risks to company operations, it also prompts the Company to improve processes and upgrade equipment to enhance equipment utilization and reduce electricity consumption per unit of production, aiming to achieve energy-saving goals and decrease reliance on electricity. In terms of reducing greenhouse gas emissions, The Company plans to understand the carbon emission status and identify emission hotspots through greenhouse gas inventory, and use these as a basis for evaluating the carbon reduction action plan to gradually promote greenhouse gas reduction measures, reduce the impact on global climate change, and fulfill the environmental responsibility of the Company.	No major deviation
(4) Has the Company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?	✓		(IV) The Company has established a dedicated unit to take charge of the management of waste and wastewater discharge. To achieve sustainability through resource utilization, the waste management policy will prioritize waste reduction in the manufacturing process over outsourcing for disposal and reuse. To accurately determine the whereabouts of waste, we judiciously select waste disposal vendors; we examine their license and documents and analyze their on-site	No major deviation

			operation conditions and track their driving route, to ensure the legal and proper disposal or reuse of all waste, to prevent secondary pollution of the environment; The wastewater, as well as other pollutants, which may be generated during the production process, has been treated in the wastewater treatment facility at the factory in accordance with the relevant regulations before being discharged to the treatment facility of HuWei Park. To fulfill the corporate social responsibilities, the Company is dedicated to promoting energy conservation and carbon reduction. Although the Company has yet to verify their GHG emissions, it achieved reduction in water consumption and waste generation in the past two years; the achievements are enumerated as follows: 1. Waste generation <table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>General industrial waste (tons)</td><td>394.84</td><td>198.85</td></tr><tr><td>Hazardous industrial waste (tons)</td><td>7.26</td><td>11.16</td></tr></table> 2. Water consumption and wastewater discharge volume <table><tr><th>Item</th><th>2022</th><th>2023</th></tr><tr><td>Tap water - annual consumption (tons)</td><td>119,373</td><td>125,763</td></tr><tr><td>Wastewater - annual discharge (tons)</td><td>86,073</td><td>87,359</td></tr></table>	Item	2022	2023	General industrial waste (tons)	394.84	198.85	Hazardous industrial waste (tons)	7.26	11.16	Item	2022	2023	Tap water - annual consumption (tons)	119,373	125,763	Wastewater - annual discharge (tons)	86,073	87,359	
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Item	2022	2023																				
Tap water - annual consumption (tons)	119,373	125,763																				
Wastewater - annual discharge (tons)	86,073	87,359																				
4. Social issues																						
(1) Does the Company formulate relevant management policies and procedures in accordance with applicable laws and the International Bill of Human Rights?	✓		(I) The Company supports and recognizes the “Universal Declaration of Human Rights”, “UN Global Compact”, “United Nations: Guiding Principles on Business and Human Rights”, and “International Labor Organization (ILO) Conventions”; it also abides by Taiwan’s Labor Standards Act, by which it has formulated its management policy and procedures such as “Work Rules” and “Regulations for Prevention and Reporting of Sexual Harassment and Punishment Therefor”, aiming to ensure employees’ interests and benefits.	No major deviation																		
(2) Has the Company formulated and implemented reasonable employee benefit measures (including remuneration, leave, and other benefits) and reflected business performance or achievements in employee remuneration appropriately?	✓		(II) 1. The Company's factory compound boasts employee eateries, recreation centers, car parks, dormitories, and other amenities at the disposal of employees. 2. An Employee Welfare Committee has been established by the Company and a monthly budget is allocated to offer employees various	No major deviation																		

(3) Does the Company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	✓	welfare benefits, including employee travel subsidies, birthday monetary gifts, festival monetary gifts, marriage allowances, condolence money for funeral, maternity allowances, community activity subsidies, among others. 3. Article 20 of the Company's Articles of Incorporation stipulates that in the event of annual profits, 5% to 15% of such profits be allocated as employee remuneration. 4. The Company has established its "Regulations for Salary Management", to provide a reference basis for employees' salaries, bonuses, promotions, and transfers, and salary approval. 5. The Company adopts the new retirement scheme, by which the Company contributes an amount equal to 6% of employees’ monthly salary to their personal pension account every month. For those who opt to make additional appropriation, the Company additionally debits an amount equal to a percentage of monthly salary designated by an employee and deposit it in their personal pension account with the Bureau of Insurance. 6. The leave system complies with the provisions of the "Labor Standards Act", which stipulates a 7-day annual leave upon completion of one year of employment. Employees who need to take care of their child or encounter any material incident may apply for leave without pay; they will be reinstated after the expiration of the leave without pay period. 7. Performance bonuses for employees are established by the Company based on production goals in order to motivate them. 8. In terms of diversity and equality in the workplace, the Company emphasizes gender equality, equal pay, and equal opportunity for promotion. However, due to industrial characteristics and the job market, the ratio of male employees is relatively high. The gender structure of the employees at the end of 2022 and 2023 is as follows: <table><tr><td></td><td>2022</td><td>2023</td></tr><tr><td>Total female employees (%)</td><td>21%</td><td>19%</td></tr><tr><td>Female heads in percentage (%)</td><td>21%</td><td>21%</td></tr></table> To put it succinctly, the salary and benefits offered by the Company are still competitive in the market. (III) 1. The Company has passed ISO 45001 certification “Occupational safety and health management systems” (certificate valid during 2021.2.3~2024.2.3) and CNS 45001 (certificate valid during		2022	2023	Total female employees (%)	21%	19%	Female heads in percentage (%)	21%	21%	No major deviation
	2022	2023										
Total female employees (%)	21%	19%										
Female heads in percentage (%)	21%	21%										

			2021.2.3~2024.2.2); the certificate renewal review has been completed.. Moreover, the Company holds the safety and wellness of its employees in high regard. By regularly organizing trainings, the Company improves employees' "safety awareness" and their comprehension of regulations for "safe operation". In addition, the Company puts in place a self-management and inspection system, and pays attention to employees' working environment and personal safety protection measures, so as to prevent accidents and provide employees with a safe working environment. 2. The company has an Occupational Safety and Health Committee, which meets once a quarter. During the meeting, employee representatives and management discuss issues such as working environment monitoring, auditing, safety and health education and training, hazard prevention, health promotion, contractor management, etc., and address identified problems. Improvements were made and relevant occupational safety and health training and publicity courses were held in 2023, with a total of 2,496 participants. 3. In order to ensure the safety of colleagues during work, the Company continues to increase the use of auxiliary tools and safety protection and strengthen technical training. Therefore, there will be no occupational accidents (excluding traffic accidents) in 2023. 4. In terms of caring for employees' health, the Company hires occupational medicine physicians for on-site health consultation every month, and regularly outsources employee health examinations and tracks various health indexes every year. In addition, the Employee Welfare Committee organizes various club activities and provides travel subsidy to adjust employees' physical and mental health. 5. The Company has strengthened accident prevention education within the factory and enhanced the awareness of accident prevention among employees to prevent occurrence of accidents. In 2023, the Company conducted two fire drills, and no fire incidents occurred that year.	
(4) Has the Company established an effective career development training program for employees?	✓		(IV) The Company places great emphasis on the training of employees' professional abilities and management capacities. Aiming to foster outstanding talents, the Company encourages employees to take various training courses, including the orientation training, professional training, superiors training. Aside from internal trainings, workers can also pursue external training to augment their capabilities and refine their career competencies.	No major deviation
(5) Does the Company comply with applicable laws and	✓		(V) The Company markets and labels its products in accordance with	No major deviation

international standards regarding issues, such as customer health and safety, customer privacy, as well as marketing and labelling of products and services? Has it formulated relevant policies and complaint procedures to protect consumers' or customers' rights and interest?			applicable laws and regulations, and has purchased a product liability insurance to safeguard the rights and interests of consumers. Customer opinions are highly valued by the Company. In addition to paying a visit to each individual customer, the Company, as a way to respond to customer complaints in an efficient and timely manner, often holds management meetings and production and sales meetings, so as to comprehend customers' requirements and guard their rights and privileges. An area dedicated to Stakeholders has been created to provide pathways for customers to voice their concerns, lodge grievance, or submit suggestions.	
(6) Has the Company formulated a supplier management policy, required suppliers to follow applicable regulations on issues, such as environmental protection, occupational safety and health, or labor rights? The implementation thereof?	✓		(VI) The Company has established a "Operating Procedures for Supplier Management", by which it establishes a mechanism for selection, evaluation, evaluation, and management of suppliers based on their supply capacity. Suppliers are required to cooperate closely, in addition to being assessed quarterly. In doing so, the Company encourages suppliers to deliver quality goods on time to enhance the competitive synergy. In addition, the Company has also developed a "Code of Conduct for Suppliers", which requires suppliers to comply with the laws pertaining to labor rights, health, safety, environmental protection, and ethics, in order to fulfill their social responsibility.	No major deviation
5. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?		✓	The company will complete the preparation of the 2023 Sustainability Report by the end of August 2024 in accordance with GRI standards. We will assess whether it is necessary to have the report verified by a third party depending on the development in the future.	No major deviation
6. Where the Company has formulated its own sustainable development code in accordance with the Sustainable Development Best Practice Principles, please specified the differences between the implementation and the principles: The Company's "Corporate Social Responsibility Best Practice Principles" were approved by the Board of Directors meeting on March 22, 2017 , revised by the Board of Directors' meeting on March 6, 2020, and, to align with international trend and the competent authority's requirement, renamed "Sustainable Development Best Practice Principles" by the Board of Directors meeting dated August 9, 2022.				
7. Other important information that facilitates the understanding of the promotion of sustainable development: (1) Environmental protection: The Company has successfully obtained the ISO 14001:2015 certification for environmental management systems and put into practice waste classification. (2) Involvement in communities: The Company participates in religious festivals of the communities and sponsors graduation ceremonies, sports meet and other events of local schools. (3) Social welfare: We make donation to Friends of the Police and Huwei Volunteer Fire Fighter Brigade of Yunlin County. In addition, in order to narrow the gap between industry and academia, increase students' practical work experienced, and stabilize technical talents, the Company actively cooperates with the neighboring National Formosa University to carry out industry-academia collaboration. Through close cooperation with the school, it can plan its courses accordingly in response to the development of the industry. The talent				

cultivation model of “learning by doing and doing by learning” has been established to prepare students for employment right after graduation. The number of participants in industry-university cooperation in 2023 was 34.

(4) Social services: Engaged in the local community-led homeland-cleaning activities held yearly.

(5) Consumer rights and interests: Purchased a product liability insurance.

(6) Human rights: The Company purchased a Commercial General Liability Insurance and group insurance for employees, and has formulated its “Regulations for Prevention and Reporting of Sexual Harassment and Punishment Therefor”, aiming to provide employees with an environment free of sexual harassment. In addition, it regularly employs occupational medical physicians to visit the factory and provide employees with advice on health issues, prevention of occupational diseases, and health check-up questions.

(7) Safety and health: The Company has passed the certification of ISO 45001 (International Occupational Health and Safety Management System) and CNS45001 (Taiwan Occupational Safety and Health Management System).

(V-1) Climate-related information:NA.

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
1. Formulation of ethical management policies and plans				
(1) Has the Company formulated an ethical management policy approved by the board of directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the board of directors and the senior management committed to actively implementing the policy?	✓		(1). The Company has formulated its "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct", and disclosed them on the Market Observation Post System and the Company's website. Upholding the Ethical Corporate Management Best Practice Principles, the Company explicitly promises that its Board of Directors and top management will proactively show the resolve to implement ethical corporate management.	No major deviation
(2) Has the Company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with a higher risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Article 7, paragraph 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		(2) The Company's Board of Directors meeting dated August 6, 2020 resolved to revise the "Ethical Corporate Management Operating Procedures and Code of Conduct", which prohibits unethical conduct, including offering or accepting bribes, offering or promise any facilitation payment, provision of illegal political contributions, improper charity donation or sponsorships, engagement in unfair competition, and insider trading. Preventive measures and trainings have been provided to implement the ethical corporate management policy.	No major deviation
(3) Has the Company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise said plan?	✓		(3) The Company's "Ethical Corporate Management Operating Procedures and Code of Conduct" clearly sets out unethical conduct prevention programs, including operating procedures, code of conduct, and training; In addition, the Company has also put in place its "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases", whereby it encourages external personnel to report any illegal conduct and violation of the Ethical Corporate Management Best Practice Principles. If after an investigation the accused is found to have violated relevant laws or the Company's Ethical Corporate Management Best Practice Principles or ethical management policy or regulations, the person shall be ordered to stop the conduct immediately, and shall be disciplined appropriately. If need be, the person shall be reported to the competent authority or transferred to judiciary branch for investigation; the Company may also filed for damages through legal proceedings to defend its reputation and interests.	No major deviation

Evaluation Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
2. Implementation of ethical management				
(1) Does the Company evaluate each counterparty's records for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty?	✓		(I) The Company has devised its "Regulations for Management of Credits to Customers", which stipulates assessment of the credit record of a transaction counterparty by referencing the content of the Customer Credit Investigation Checklist and the credit investigation data provided by The Dun & Bradstreet. In addition, it has devised its "Supplier Code of Conduct", which sets out ethical standards for suppliers to follow and enables them to fully understand the Company's principle of ethical corporate management. Moreover, the credit agreements between the Company and a financial institution have explicitly outlined the rights and obligations assigned to both parties and the transaction conditions therebetween.	No major deviation
(2) Has the Company established a dedicated (concurrent) unit under the board of directors to conduct ethical corporate management, regularly (at least once a year) report to the board of directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?	✓		(II) The Company has the Human Resources Department and the Legal Office jointly form the "Ethical Corporate Management Promotion Group", with Vice President Wang Yu-Ying as the convener. The "Ethical Corporate Management Promotion Group" is responsible for promoting the Company's ethical corporate management policy, revising, executing, and interpreting its Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct, providing consultation, registering and archiving the reporting content, monitoring the implementation, and reporting to the Board of Directors once a year on the implementation progress. The implementation status of 2023 has been presented to the board meeting held on December 22, 2023. Implementation status of 2023: (1) The "Ethical Corporate Management Policy Awareness Session" was organized during the period from November 27, 2023 to December 01, 2023, with a total of 78 participants including the managerial officers and employees of the Company. (2) The "Insider Trading Prevention Session" was organized during the period from November 20, 2023 to November 24, 2023, with a total of 78 participants including the managerial officers and employees of the Company. Education and training were provided for directors on December 12, 2023. The topic of the course was legal regulations and case study of insider trading. The duration of the course was 3 hours	No major deviation

Evaluation Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Brief description	
(3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	✓		and a total of 7 directors participated in the training. (3) Once the fresh staff report to duty, they all get "Secrecy and Anti-bribery" awareness session. In 2023, 33 fresh hires took up the awareness session. (III) The Company's "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Operating Procedures and Code of Conduct", and "Code of Ethical Conduct" have outlined a policy to prevent conflict of interests, which each unit is required to implement. Both the Company and its official website offer hassle-free means to file complaints.	No major deviation
(4) Has the Company has established an effective accounting system and an internal control system for the implementation of ethical management and assigned the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commissioned a CPA to perform such audits?	✓		(IV) The Company has established an effective accounting system and internal control system. The chief internal audit officer will include high-risk operations in the annual audit plan, submit an audit report regarding the audit outcomes to the audit committee for review, and report the findings to the board of directors in a non-voting capacity.	No major deviation
(5) Does the Company regularly hold internal and external education and training on ethical management?	✓		(V) The Company's "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct" have been published on the Company's official website. Relevant personnel of the Company take part in the ethical corporate management trainings held by the competent authority or external institutions as required. In addition, each year, the Company organizes internal training and awareness sessions to improve the awareness of the legal compliance of its employees and to reduce the risks of a violation of the ethical corporate management principle. Please consult the Company's official website for the awareness session.	No major deviation
3. Implementation of the Company's whistleblowing system (1) Has the Company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?	✓		(I) The Company has formulated its Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases, whereby it encourages external parties to report any illegal or violation of the Ethical Corporate Management Best Practice Principles or Code of Ethical Conduct to the Company's Legal Office or through independent whistle-blowing	No major deviation

Evaluation Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
(2) Has the Company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?	✓		mailbox. After a case is accepted, the Company will have dedicated personnel take care of the case. (II) The Company has devised its "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases" and the "Ethical Corporate Management Operating Procedures and Code of Conduct", where it outlines standards for the acceptance of reporting cases, investigation process, investigation results, and records and preservation of related documents. In addition, the identity of the informant and the content of the reporting shall be kept confidential. If the accused is a director or senior management member, the case shall be reported to the independent directors.	No major deviation
(3) Does the Company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?	✓		(III) Article 23 of the Company's "Ethical Corporate Management Best Practice Principles", Article 21 of the "Ethical Corporate Management Operating Procedures and Code of Conduct" and Article 6 of the "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases" stipulate that the identity of the whistle-blower and the content of the whistle-blowing be kept confidential, and that the Company promise to protect the whistle-blower from being improperly dealt with due to the whistle-blowing.	No major deviation
4. Enhanced information disclosure Has the Company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?	✓		The Company has disclosed relevant information on its ethical corporate management on its company website, annual report, and the Market Observation Post System.	No major deviation
5. If the Company has formulated its own Corporate Governance Best Practice Principles as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles: The Company has established its "Ethical Corporate Management Best Practice Principles" to establish a culture of ethical corporate management and have a sound development. The Company's practices are consistent with its Ethical Corporate Management Best Practice Principles.				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles) The Company will consistently observe the progression of applicable regulations of ethical corporate management both domestically and internationally, and will encourage				

Evaluation Item	Operations			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Brief description	
directors, managers, and personnel to provide recommendations for improvement. The Company’s Board of Directors meeting dated August 6, 2020 revised the “Ethical Corporate Management Best Practice Principles” and the “Ethical Corporate Management Operating Procedures and Code of Conduct”, which have been disclosed on the Market Observation Post System and the Company’s website.				

- (VII) If the Company has formulated the Corporate Governance Best Practice Principles and related rules, it shall disclose the query methods:

The Company has formulated internal regulations, including the "Rules of Procedure for Shareholders' Meetings", "Rules and Procedures for Board of Directors Meetings", "Procedures for Election of Directors and Supervisors", "Procedures for the Acquisition and Disposal of Assets", "Procedures for Engaging in Financial Derivative Transactions", "Procedures for Making Endorsement and Guarantees", "Procedures for Extending Loans to Others", "Procedures for Handling Material Inside Information", "Audit Committee Charter", "Remuneration Committee Charter", "Corporate Governance Code of Conduct", "Sustainable Development Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Operating Procedures and Code of Conduct", "Code of Ethical Conduct", and "Corporate Governance Best Practice Principles". Relevant information is directly disclosed on the Market Observation Post System and the Company's website and is available at <https://mops.twse.com.tw/> and <http://www.twmosa.com/>.

- (VIII) Other important information conducive to understanding the operation of corporate governance may be disclosed:

To reinforce corporate governance operation, the Company is investing resources and has established a Remuneration Committee and an Audit Committee. The Company's website also has a Corporate Governance zone to disclose relevant regulations and announce material information in real time, so as to safeguard the rights of the investing public and shareholders to know.

- (IX) The section on the state of implementation of the company's internal control system shall furnish the following

1. Statement on Internal Control: Please refer to the next page.
2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

Mosa Industrial Corp. Statement of the Internal Control System

Date: March 12, 2024

The Company states the following for its 2022 internal control system based on the results of self-evaluation:

- I. The Company is fully aware that the establishment, implementation, and maintenance of its internal control system is the responsibility of the Board of Directors and managers, and the Company has established such an internal control system in this regard. The purpose of such an internal control system is to provide reasonable assurance that the following three objectives will be met: 1) effectiveness and efficiency of operations (including profitability, performance, and asset security safeguards); 2) reliability, timeliness, transparency, and compliance of reporting; and 3) compliance with regulations, laws, and bylaws.
- II. An internal control system has inherent constraints; however perfectly designed, an effective internal control system can only provide reasonable assurance that the three objectives stated above will be met. Furthermore, the effectiveness of an internal control system might be impacted by changes to the environment or circumstances. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company judges the effectiveness of the design and implementation of its internal control system by the judgment criteria set forth in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). Said criteria under the Regulations are divided into five constituent elements as per the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent element includes several items. For said items, please refer to the Regulations.
- IV. The Company has adopted the above mentioned criteria to assess the effectiveness of the design and implementation of its internal control system.
- V. Based on the aforementioned assessment results, the Company concludes that the Company's internal control system (including operating procedures pertaining to management and supervision of subsidiaries) as at December 31, 2023 can reasonably assure the achievement of the aforementioned goals, namely the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and compliance of reporting, and the compliance with regulations, laws, and bylaws.
- VI. This Statement shall constitute a major component of the Company's annual report and prospectus, and shall be disclosed. If the disclosed content above is false or there is material information concealed deliberately or otherwise, the Company will be legally liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed unanimously by all 9 of the Company's directors present at the board of directors meeting dated March 12, 2024.

Mosa Industrial Corp.

Chairman: Wang Te-Hsin

Signature

President: Wang Te-Hsin

Signature

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Important resolutions of the shareholders' meeting and their implementation

Meeting Title	Meeting Date	Important Resolutions	Subsequent Implementation
Annual Shareholders' Meeting	2023.6.28	1. Passed and adopted the proposal on the Company's 2022 Business Report, Financial Statements, and Earnings Distribution.	1. Finished in line with the resolution. 2. The Company set the ex-dividend record date for September 5, 2023. Distribution was made in full on September 25, 2023 according to the Board of Director's resolution. (Cash dividends of NT\$0.2 per share)
		2. Passed the proposal to revise the Company's "Articles of Incorporation".	Registration was approved by the Central Taiwan Science Park Bureau, Ministry of Science and Technology on July 10, 2023 and announcement was made on the Company's website.
		3. Passed the proposal on amendments to the Company's "Rules of Procedure for Shareholders' Meetings".	Disclosed on the Company's website; matters were carried out according to the revised version.
		4. Proposal on general election of the Company's directors and independent directors. List of elected directors of the 12th term: Te-Hsin Wang, Representative of Kao Investment Corporation: Mei-Li Tsai,, Representative of Yong Xin International Investment Co., Ltd. :Wen-Hui Lin, Chao-Kuo Chen, Ching-Jung Chen, Feng-Tsung Cheng, Tzu-Ping Jen, Chung-Hung Liao and Chao-Li Chen.	1. The list of elected candidates was announced on the MOPS on June 28, 2023. 2. Registration was approved by the Central Taiwan Science Park Bureau, Ministry of Science and Technology on July 10, 2023.
		5. Passed the proposal on lifting the non-compete restriction on the Company's newly elected directors and their representatives was approved.	The announcement was made on the MOPS on June 28, 2023.

2. Important resolutions of the board of directors

Meeting Date Session	Important Resolutions
2023/3/13 11th term 16th meeting	1. Approved the fact that the Company's accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of December 31, 2022 were not loans to others. 2. Passed the proposal on remuneration to employees and directors of 2022. 3. Passed the proposal on the Company's 2022 Business Report and Financial Statements. 4. Passed the proposal on assessment of the effectiveness of the Company's 2022 Internal control system, and on the Statement on Internal Control.

	5. Passed the proposal to formulate the “Policy on Preapproval of Provision of Non-assurance Service”. 6. Passed the proposal to revise the Company’s “Articles of Incorporation”. 7. Passed the proposal on amendments to the Company's "Rules of Procedure for Shareholders' Meetings". 8. Passed the proposal to revise the Company’s "Corporate Governance Best Practice Principles". 9. Passed the proposal to revise some articles of the Company's "Standard Operating Procedures for Addressing Directors' Requests". 10. Passed the proposal on general election of the Company’s directors and independent directors. 11. Passed the proposal to convent the Company’s 2023 Annual Shareholders’ Meeting.
2023/5/8 11th term 17th meeting	1. Approved the fact that the Company’s accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of March 31, 2022 were not loans to others. 2. Passed the proposal on the Company's 2023Q1 Consolidated Financial Statements. 3. Passed the proposal on the Company's earnings distribution of 2022. 4. Passed the proposal to distribute earnings of 2022 as cash dividends. 5. Nominated the candidates for directors and independent directors. 6. Passed the proposal on lifting the non-compete restriction on the Company’s newly elected directors and their representatives 7. Passed the proposal to renew credit facilities with banks.
2023/6/20 11th term 17th meeting	1. Passed the proposal on increase of bank loan facility for the subsidiary Mosa Safety System Corp.
2023/6/28 12th term 1st meeting	1. Elected Mr. Te-Hsin Wang to be re-elected as Chairman.
2023/8/8 12th term 2nd meeting	1. Approved the fact that the Company’s accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of June 30, 2023 were not loans to others. 2. Passed the proposal on the Company's 2023 Q2 Consolidated Financial Statements. 3. Passed the issuance of the first domestic unsecured convertible bonds. 4. Passed the establishment of the “Procedures for Compilation and Verification of Sustainability Report” of the Company. 5. Passed the proposal on amendments to the Company’s “Rules of Procedure for Board of Directors Meetings”. 6. Passed the proposal on amendments to the Company’s “Regulations for Payment of Remuneration to Directors and Managers”. 7. Passed the proposal to review and revise the Company's "Board of Directors Performance Evaluation Guidelines", "Regulations for Salary Management", and "Regulations for Performance Evaluation Management". 8. Passed the proposal to submit the proposal to distribute directors’ remuneration, and to distribute employee remuneration to managers, for 2022. 9. Passed the proposal to renew credit facilities with banks. 10. Passed the proposal on the Company’s provision of endorsement and guarantee for a subsidiary’s credit facility taken out from a bank.
2023/11/7 12th term 3rd meeting	1. Approved the fact that the Company’s accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of September 30, 2023 were not loans to others.

	2. Passed the proposal on the Company's 2023Q3 Consolidated Financial Statements. 3. Passed the establishment of the Company's "Regulations Governing Operations in relation to Finance and Business between Related Parties". 4. Passed the proposal to revise the Company's "Corporate Governance Best Practice Principles". 5. Passed the proposal to revise the Company's "Sustainable Development Best Practice Principles". 6. Passed the proposal to renew and take out further credit facilities with banks. 7. Passed the proposal on the Company's provision of endorsement and guarantee for a subsidiary's credit facility taken out from a bank.
2023/12/22 12th term 4th meeting	1. Passed the proposal on the year-end bonus to be distributed to the Company's managers of 2023. 2. Passed the proposal to revise the Company's "Regulations for Salary Management". 3. Passed the proposal on the remuneration for the Company's chairman for 2024. 4. Passed the proposal on the remuneration for the Company's managers for 2024. 5. Passed the newly added position of Executive Vice President and appointment of the Executive Vice President of the Company. 6. Passed the proposal to evaluate the independence and competence of the Company's attesting CPAs. 7. Passed the proposal on the Company's 2024 audit plan. 8. Passed the proposal on the Company's 2023 Business Plan and Budget. 9. Passed the proposal to renew and take out further credit facilities with banks.
2024/3/12 12th term 4th meeting	1. Approved the fact that the Company's accounts receivable that were more than 3 months past the normal credit period and significant in terms of value as of December 31, 2023 were not loans to others. 2. Passed the proposal on the Company's 2023 Business Report and Financial Statements. 3. Passed the proposal on the Company's 2023 deficit compensation. 4. Passed the proposal on assessment of the effectiveness of the Company's 2023 Internal control system, and on the Statement on Internal Control. 5. Passed the amendments to the Company's "Audit Committee Charter". 6. Passed the amendments to the Company's "Regulations Governing Procedure for Board of Directors Meetings". 7. Passed the amendments to the Company's "Procedures for Compilation and Verification of Sustainability Report". 8. Passed the proposal to revise the Company's "Articles of Incorporation". 9. Passed the proposal on amendments to the Company's "Rules of Procedure for Shareholders' Meetings". 10. Passed the proposal for the private placement with issuance of common shares of the Company. 11. Passed the proposal to lift non-competition restrictions on the Company's directors. 12. Passed the proposal to convene the Company's 2024 Annual Shareholders' Meeting. 13. Passed the proposal to renew credit facilities with banks.

(XII) Where, during the most recent year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIII) A summary of resignations and dismissals, during the most recent year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: None.

V. Audit fees paid to attesting CPAs

(I) Amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services

Unit: NT\$ thousand

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche	Ting-Chien Su	2023/1/1~2023/12/31	2,620	288	2,908	The contents of non-audit services include transfer pricing, application fee for issuing new shares for capital increase in cash, and certification fee for insurance of corporate bonds.
	Done-Yuin Tseng					

1. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor should be disclosed: None.

VI. Information on replacement of CPAs: None.

(I) Regarding the predecessor CPA: Not applicable.

(II) About the successor CPA: not applicable.

(III) Response letter from the predecessor CPA giving a response to matters listed in Article 10, Subparagraph 6, Item 1 and Item 2-3 of these Regulations: Not applicable.

VII. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10% during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

(I) Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10% stake

Unit: shares

Title	Name	2023		Year-to-date through April 1, 2024	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman	The-Hsin Wang	1,056,198	-	-	-
Director	Ming-Zhi Lee (Note1)	-	-	NA	NA
Director	Yong Xin International Investment Co., Ltd.	300,000	-	-	-
	Representative: Wen-Hui Lin	1,274,256	-	743,555	-
Director	Kao Investment Corporation	517,070	-	-	-
	Representative: Mei-Li Tsai	-	-	-	-
Director	Chao-Kao Chen (Note2)	-	-	-	-
Director	Ching-Jung Chen (Note2)	-	2,755,000	-	-
Independent Director	Feng-Tsung Cheng	9,170	-	-	-
Independent Director	Tzu-Ping Jen	-	-	-	-
Independent Director	Chung-Hung Liao	-	-	-	-
Independent Director	Chao-Li Chen (Note2)	-	-	-	-
Executive Vice President	Ho-Chung Fu (Note3)	NA	NA	-	-
Vice President	Yu-Ying Wang	50,744	-	-	-
Assistant Vice Presiden	Chia-Hsin Lee	97,508	-	(94,000)	-
Assistant Vice Presiden	Chun-Chai Lin	(123,229)	-	(133,000)	-
Assistant Vice Presiden	Nung-shan Yeh	(75,000)	-	(13,000)	-
Assistant Vice Presiden	Hui-Ping Chuang	-	-	-	-
Manager	Chun-Hsiang Hsieh	(195,730)	-	(125,000)	-

Note 1: The person resigned on March 1, 2023, so the information after resignation will not be disclosed.

Note 2: The person newly elected on June 28, 2023, so the information before election will not be disclosed.

Note 3: The person took office on February 1, 2024, so the information before on-board date will not be disclosed.

- (II) Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counter party's name, its relationship between that party and the company as well as the company's directors, supervisors, managerial officers, and shareholders with a stake of more than 10%, and the number of shares transferred or pledged: Not applicable, because the transaction counterparty was not a related party.

IX. Information on the relationship among the 10 largest shareholders who are a related party, spouse, or a relative within the second degree of kinship of one another

Unit: shares April 1, 2024

Name	Shareholding		Shares held by spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or is a spouse or a relative within the 2nd degree		Remark
	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	Name	Relationship	
Yong Xin International Investment Co., Ltd. Representative: Wen-Hui Lin	14,131,735	6.97%	-	-	-	-	Wen-Hui Lin	Chairman, Yong Xin	
							The-Hsin Wang	Supervisor, Yong Xin	
The-Hsin Wang	13,926,913	6.87%	5,530,473	2.73%	-	-	Wen-Hui Lin	Spouse	
							Yong Xin International Investment Co., Ltd.	Supervisor, Yong Xin	
Wen-Hui Lin	5,530,473	2.73%	13,926,913	6.87%	-	-	The-Hsin Wang	Spouse	
							Yong Xin International Investment Co., Ltd.	Chairman, Yong Xin	
Mega International Commercial Bank Co., Ltd. Representative: Zhong-Da Lei	4,481,676	2.21%	-	-	-	-	-	-	
Chang-Yun Yi (Note)	2,944,000	1.45%	-	-	-	-	-	-	
Ching-Jung Chen	2,911,208	1.44%	200,000	-	-	-	-	-	
Hui-Mei Yang	2,411,630	1.19%	2,078,000	1.03%	-	-	Chao-Kao Chen	Spouse	
							Chao-Jih Chen	Affinity	
Chao-Jih Chen(Note)	2,311,176	1.14%	-	-	-	-	Chao-Kao Chen	Brother	
							Hui-Mei Yang	Affinity	
Chun-Hsiang Chen(Note)	2,219,874	1.10%	-	-	-	-	-	-	
Chao-Kao Chen	2,078,000	1.03%	2,411,630	1.19%	-	-	Hui-Mei Yang	Spouse	
							Chao-Jih Chen	Brother	

Note: The shareholder was not an insider of the Company, and did not provide the information on the number of shares held by himself/herself, his/her spouse and minor children and in other person's name.

X. The total number of shares and the consolidated equity stake percentage held in any single investee enterprise by the Company, its directors, supervisors, managerial officers, or any companies controlled either directly or indirectly by the Company

Unit: Shares; April 1, 2024

Investee	Ownership by the Company		Investment by directors, supervisors, managers, or any companies controlled either directly or indirectly by the Company		Total Ownership	
	Number of shares	Shareholding	Number of shares	Shareholding	Number of shares	Shareholding
Mosa Safety System Corporation	68,500,000	100%	-	-	68,500,000	100%
Yuan Lin Investment Co., Ltd.	-	-	1,500,000	100%	1,500,000	100%
Yuan Lin Shanghai Co., Ltd	-	-	-(Note 1)	100%	-(Note 1)	100%
Maoqiang Technology Co., Ltd.	250,000	25%	120,000	12%	370,000	37%

Note 1: The company is a limited company.

Four. Fund Raising Status

I. Capital and shares

(I) Source of share capital

1. Shares outstanding in 2023 and as of the publication date of the annual report

Unit: NT\$1; shares

Year and Month	Issue price	Authorized capital		Paid-in capital		Remark		
		Number of shares	amount	Number of shares	amount	Source of share capital	Capital increased by assets other than cash	Others
2023/3	20	250,000,000	2,500,000,000	202,788,303	2,027,883,030	20,000,000 shares from cash capital increase.	None	

2.Share type

Unit: Shares; April 1, 2024

Share type	Authorized capital			Remark
	Number of shares issued	Number of shares unissued	Total	
Common stock	202,788,303	47,211,697	250,000,000	-

3. Information Relating to the Shelf Registration System: None.

(II) Shareholder structure

Unit: Shares; April 1, 2024

Shareholder structure Number	Government agencies	Financial institutions	Other juridical persons	Individual	Foreign institutions and foreigners	Total
Number of people	-	1	166	33,380	70	33,617
Number of shares held	-	4,481,676	22,389,638	171,699,224	4,217,765	202,788,303
Shareholding	-	2.21%	11.04%	84.67%	2.08%	100%

(III) Dispersion of Shareholding

Unit: share; %; at NT\$10 per share; April 1, 2024

Shareholding brackets	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	15,647	1,718,994	0.85%
1,000 to 5,000	13,857	28,525,143	14.07%
5,001 to 10,000	2,029	15,753,360	7.77%
10,001 to 15,000	614	7,760,565	3.83%
15,001 to 20,000	425	7,852,855	3.87%
20,001 to 30,000	342	8,683,058	4.28%
30,001 to 40,000	188	6,674,007	3.29%
40,001 to 50,000	108	4,955,204	2.44%

50,001 to 100,000	194	13,696,300	6.75%
100,001 to 200,000	119	15,827,224	7.81%
200,001 to 400,000	52	14,240,260	7.02%
400,001 to 600,000	18	8,675,183	4.28%
600,001 to 800,000	5	3,324,093	1.64%
800,001 to 1,000,000	2	1,842,602	0.91%
1,000,001 or over	17	63,259,455	31.19%
Total	33,617	202,788,303	100.00%

(IV) Name of major shareholder

The names, number of shares held, and shareholding percentages of shareholders who hold 5% or more of the Company's equity or are among the 10 largest shareholders:

April 1, 2024

Share	Number of shares held	Shareholding ratio (%)
Name of major shareholders		
Yong Xin International Investment Co., Ltd.	14,131,735	6.97%
The-Hsin Wang	13,926,913	6.87%
Wen-Hui Lin	5,530,473	2.73%
Mega International Commercial Bank Co., Ltd.	4,481,676	2.21%
Chang-Yun Yi	2,944,000	1.45%
Ching-Jung Chen	2,911,208	1.44%
Hui-Mei Yang	2,411,630	1.19%
Chao-Jih Chen	2,311,176	1.14%
Chun-Hsiang Chen	2,219,874	1.10%
Chao-Kao Chen	2,078,000	1.03%

(V) Market price, net worth, earnings, and dividends per share for the most recent two years:

Unit: thousand shares; yuan

Item \ Year		2022	2023	Year-to-date through March 31, 2024
Market price per share (Note 1)	Highest	42.40	34.10	24.45
	Lowest	22.00	22.70	22.50
	Average	30.02	25.53	23.32
Net worth per share (Note 2)	Before distribution	23.48	21.25	The financial statement information reviewed by accountants for the first quarter of 2024 has not yet been obtained as of the publication date of the annual report
	After distribution	23.28	21.25	
Earnings per share	Weighted average number of shares	182,788	197,966	
	Earnings per share	0.31	(1.87)	
Dividend per share	Cash dividend	0.2	0	
	Stock dividend	Allotment of earnings	-	
		Allotment of shares from capital surplus	-	
	Cumulative unpaid dividends	-	-	
Return on investment	Price-earnings ratio (Note 3)	96.84	(13.65)	
	Price/dividend ratio (Note 4)	150.1	-	
	Cash dividend yield (Note 5)	0.67	-	

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

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

Note 3: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 4: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 5: Cash dividend yield = cash dividend per share / average closing price per share for the year.

(VI) Company's dividend policy and implementation thereof

1. Dividend policy adopted in 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 controlled or 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. Employees' and directors' remuneration distribution proposals shall be submitted to the shareholders' meeting for reporting. If, however, the Company has accumulated losses, profit shall first be used to offset accumulated losses and then to set aside employees' and directors' remuneration according to the aforementioned percentages.

In the event of surplus earnings after the closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated for. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserves. However, in the event that the accumulated legal reserves are equivalent to or exceed the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. If there are remainder earnings, the Board of Directors shall draft a earnings distribution proposal regarding the remainder of the earnings plus accumulated undistributed earnings. If such distribution involves issuance of new shares, such distribution may be made after being approved by the shareholders' meeting.

When the Company intends to distribute dividends, bonus, or part or all of legal reserves and capital reserves in cash, an approval must be obtained from the Board of Directors by a majority vote at a Board of Directors meeting attended by two thirds or more of all directors, and a report must be made at a shareholders' meeting.

The Company's dividend policy considers future capital needs, financial structure, and earnings, and stipulates that no less than 50% of the distributable earnings for the current year be allocated as shareholder dividends. However, if the accumulated distributable earnings 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.

2. Dividend distribution proposed at this shareholders' meeting:

The Company settled with a loss in 2023, so it is proposed that no dividend be distributed in this year. The proposal on the Company's 2023 deficit compensation was approved by the Board of Directors meeting dated March 12, 2024 and will be discussed at the Annual Shareholders' Meeting on May 30, 2024.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

Not applicable, because no proposal to distribute stock dividends was made at this shareholders' meeting.

(VIII) Remuneration of employees, directors, and supervisors

1. The percentages or ranges with respect to employee, and director profit-sharing compensation, as set forth in the company's articles of incorporation

Article 20 of 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 controlled or 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. Employees' and directors' remuneration distribution proposals shall be submitted to the shareholders' meeting for reporting. If, however, the Company has accumulated losses, profit shall first be used to offset accumulated losses and then to set aside employees' and directors' remuneration according to the aforementioned percentages.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for

the current period.

- (1) The Company has no profit after tax for the year of 2023, it is not required to appropriate the remuneration for employees and directors in accordance with the Articles of Incorporation.
 - (2) If there is any discrepancy between the amount resolved by the board of directors and the amount estimated in the financial statements, the discrepancy will be regarded as a change in accounting treatment and recognized in profit or loss of the current period.
3. Amount of remuneration approved by the Board of Directors
- (1) Amount of remuneration for employees and directors payable in cash or shares. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: Not applicable.
 - (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: Not applicable.
4. The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, additionally the discrepancy, cause, and how the discrepancy is treated

The Company's employee and director remuneration for 2022 was approved by the board of directors on March 13, 2023. The actually distributed employee remuneration was NT\$2,927 thousand in cash, and the actually distributed director remuneration was NT\$878 thousand, both of which were in line with the estimated amounts.

(IX) Status of a company repurchasing its own shares:: None.

II. Issuance of corporate bonds:

Type of bonds	First domestic unsecured convertible bonds
Issuance (process) date	September 26, 2023
Face value	NT\$100,000 per certificate
Location of issuance and trading	Not applicable
Issue price	100 (issued at full face value)
Total amount	NT\$550,000 thousand only
Interest rate	Coupon rate at 0% per annum
Term	3 years Maturity date: September 26, 2026
Guarantee agency	None
Trustee	Bank Sinopac Co., Ltd.
Underwriter	SinoPac Securities Corporation
Lawyer	Lawyer Chiu Ya-Wen, Handsome Attorneys-at-Law
CPA	Deloitte Touche CPA Tseng Tung-Yun, CPA Su Ting-Chien
Terms of repayment	Except for those converted by the bondholders into common shares of the Company in accordance with Article 10 of the Regulations, or those redeemed earlier by the Company in accordance with Article 18 of the Regulations and repurchased from the securities firm's business office for cancellation, the Company will make repayment in cash in one lump sum at the face value plus interest compensation, which is 101.5075% of the face value (annual rate of return is 0.5%), within ten business days after the maturity date of the convertible corporate bonds.
Outstanding principal	NT\$550,000 thousand
Terms of redemption or early settlement	Pursuant to Article 18 of the Regulations
Restrictive covenants	None
Name of credit rating agency, date of rating, and result of corporate bond rating	None

Other attached equities	Amount of converted (exchanged or subscribed) common shares, global depositary receipts or other securities up to the publication date of the annual report	As of April 1, 2024, no convertible corporate bonds have been executed for conversion into common shares.
	Regulations for Issuance and Conversion (Exchange or Subscription)	The Regulations have been announced on the Market Observation Post System.
Possible equity dilution due to the Regulations for Issuance and Conversion (Exchange or Subscription) and the issuance terms and conditions, and the impact on the equity of the existing shareholders		The convertible corporate bonds have no equity dilution effect on the Company before the bondholders request the exercise of their conversion rights. The bondholders can choose to convert at a more favorable time point during the convertible period, and thus there is a deferred effect on the dilution of equity. In addition, the convertible corporate bonds are entitled to a conversion premium, so the impact on equity dilution is low, and there is no significant adverse impact on the equity of the shareholders.
Name of custodian institution for exchange objects		None

Information on convertible corporate bonds

Type of Corporate Bonds		First domestic unsecured convertible bonds	
Item	Year	2023	Year-to-date through March 31, 2024
Market price of the convertible corporate bonds	Highest	111.85	105.65
	Lowest	100.50	100.85
	Average	108.53	103.10
Conversion price		27.0	27.0
Issue date and conversion price at issuance		Issue date : 112 年 9 月 26 日 Conversion price at issuance : 27.0 元	
Fulfilling the conversion obligation		Issuing new shares	

III. Issuance of preferred shares: None.

IV. Issuance of global depositary receipts: None.

V. Issuance of employee share subscription warrants: None.

VI. Issuance of new restricted employee shares: None.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Implementation of the company's capital allocation plans: As of the printing date of the annual report, the Company has no financing plan that has not been completed or the plan has been completed but the benefits have not been demonstrated.

Five. Operational Highlights

I. Scope of business

(I) Business scope

1. Major lines of business

Research, design, development, manufacture, and sales of the following:

- (1) All kinds of mini high-pressure inflatable steel-made chargers.
- (2) Various high-pressure containers (made of a mixture of aluminum, steel cylinders, and plastics)
- (3) Automobile airbag inflators.
- (4) Wearable protective inflators.
- (5) Other Metal Products Manufacturing

2. Proportion of operating revenue

Unit: In NT\$ thousand; %

Line of business	Year	2022		2023	
		Operating revenue	%	Operating revenue	%
High-pressure gas charger		1,194,379	63.14	670,567	51.40
Inflators		653,292	34.54	557,715	42.75
Others		43,820	2.32	76,436	5.85
Total		1,891,491	100.00	1,304,718	100.00

3. Current product (service) items

- (1) High-pressure gas charger; cream whipper; & soda syphon.
 - A. High-pressure gas chargers of various gases, capacities, and specifications
 - B. Cream whippers and soda syphons of various capacities and specifications (Cream Whipper & Soda maker)
- (2) Inflators
 - A. Airbags for both the driver's seat and front passenger seat.
 - B. Side Impact Airbag Inflator: It is an inflator module installed on the side of the passenger seat of the car.
 - C. Side Curtain Airbags Inflator: When the car is struck from the side, the airbag can inflate to the point of encompassing the entire driver's compartment. It can not only protect the driver and passenger's head from the side, but also prevent the driver and passengers from being thrown out of the car in the event of a car rollover.
 - D. Knee Airbag Inflator: It is an inflator module fitted to the bottom of the driver's steering wheel base to provide protection for the driver's knees.
 - E. Wearable Inflator: The is a product developed by combining hybrid or cold gas inflator and personal wearable protective device. The inflator can be deployed to protect the head and hips of athletes and the elderly in accidents or falls.

4. New products (services) to be developed

- (1) Leverage gas filling core technology to produce multi-application products of greater value.
- (2) State-of-the-art airbag inflator
- (3) Development of inflators and components for wearable products

(II) Industry overview

1. Industry status and development

(1) Catering Industry

It's a part of daily life in Europe and the United States to use small high-pressure charger fitted into high-pressure containers, like cream whipper and soda maker, to make whipped cream, which can go with coffee, drinks, and desserts or used in cooking soup or sauces or make homemade soda water (that is, sparkling water). Therefore, ordinary families and small restaurants therein have greater demand for small high-pressure chargers than any other regions. In recent years, international freshly-brewed coffee chains like Starbucks, Peet's Coffee, and 85°C have established a culture of freshly-brewed coffee worldwide; they further innovate on beverages by applying whipped cream and gases (N_2 and CO_2) to coffee, tea, and other beverages, which may be served onsite along with the sale of desserts of food. Such business model has been gradually accepted by the Asian markets like China, Korea, Thailand, and Indonesia, driving up the demand of Asian developing countries for small high-pressure chargers, cream whippers, and soda maker. Here is an overview of the global catering industry, its market environment, and the Company's predominant sales areas.

A. Global catering industry

The restaurant industry was created to meet the most basic physiological needs. Once the economic situation changes even slightly, it will affect the operation of the restaurant industry. According to the "2023 Food Industry Yearbook" of the Food Industry Research and Development Institute, the global economic situation in 2023 was continuously affected by geopolitics (Russo-Ukrainian War, US-China confrontation, etc.) and financial conditions (rising interest rate, escalation of banking crisis, etc.), and the trend became increasingly unstable. According to the forecast data released by S&P Global in May, the global economic growth rate was expected to be 2.3%, showing a slowdown from 3.0% in 2022, and the annual growth rate of CPI (inflation) dropped from 7.6% in 2022 to 5.6%. Overall, the global macroeconomic situation in 2023 shows a slowdown and a downward trend in both growth and inflation.

B. American catering and food industry

The U.S. has the third largest population in the world and is one of the high-income economies. After experiencing high inflation and rapid interest rate hikes, the U.S. economy grew slightly in 2022. Consumers still had the dietary needs such as meal preparation and relief at home, and looked for products with the features such as convenience and indulgence.

According to the "2023 Food Industry Yearbook" of the Food Industry Research and Development Institute, in 2022, the sales value of the food market in the United States was US\$513.2 billion, an increase of 7.7%, mainly due to the significant growth in baked goods, savory biscuits, ready-to-eat meals and soups, meat products, and aquatic products. Salty biscuits had an indulgent benefit, while ready-to-serve meals and soups simplifies meal preparation and enhanced the cooking experience. In 2022, the sales value of the beverage market in the U.S. reached US\$165 billion, with a growth rate of 7%. Sports drinks and energy drinks grown more rapidly and hot coffee grown significantly. In response to the extension of dietary consumption habits during the epidemic, beverage manufacturers launched different items of coffee and non-alcoholic beer to meet the drinking needs in different venues after the epidemic, and to cater to consumer needs and market expansion.

C. European catering and food industry

According to the "2023 Food Industry Yearbook" of the Food Industry Research and Development Institute, Europe has a population of 920 million with advanced technology and abundant natural resources, as well as a mature economy and environment. The Russo-Ukrainian War has impact on the politics and economy of Europe, causing the uncertainty of the global political situation to rise. The bilateral relations between Europe, the United States, and China are complex and changeable. The systems and regulations of the European Union affect the adjustment of the food supply chain, international trade cooperation and market deployment. In 2022, the European food and beverage market exceeded US\$1.2 trillion, with a growth rate of 9.5% from the previous year. The food markets in Germany, the U.K. and France have the largest scale. In 2022, Europe faces a shortage of energy supply, and the price of consumer

goods rose. Coupled with global food shortage and supply redistribution, the overall import and export values of food in Europe were increased.

D. Southeast Asia

With a population of 680 million, the huge demographic dividend and the fact that most countries in the Association of Southeast Asian Nations (ASEAN) are in a period of growth and accumulation, the demand for food and beverage is quite clear and considerable. In addition, the global supply chain has accelerated to shift to the Southeast Asian market, and the economy has recovered rapidly. The growth of the food market is greater than other regions, and it is the focus of investment and trade for international manufacturers.

According to the “2023 Food Industry Yearbook” of the Food Industry Research and Development Institute, thanks to population, economic development and investment, Indonesia was the largest food and beverage market among the six countries in Southeast Asia in 2022. The food and beverage market of all the Southeast Asian countries had outstanding performance this year and enjoyed positive growth. The reasons for this relatively impressive performance were the supportive policies, relatively active spending power, and increasing investment of international capitals. Most of the new food and beverage products in Southeast Asia in 2022 were snack foods and baked goods. The number of new products grew by 3.4%. In addition, more than 20,000 new products were launched in the food and beverage market in Southeast Asia throughout the year. The market was prosperous but competitive. As for the development status of distribution channels in Southeast Asia. The network infrastructure was not popular, and logistics and distribution were not developed adequately, and the deployment of food and beverage products was affected as a result. However, as the distribution environment gradually matures and changes, coupled with the rapid penetration of mobile devices, the deepening of the use of social media platforms, and the increase of the applications, a new momentum was brought to the development of the food industry in 2022.

E. Food Industry in Mainland China

According to the “2023 Food Industry Yearbook” of the Food Industry Research and Development Institute, the population in Mainland China stands at 1.41 billion. In recent years China has changed the relevant policy, transforming its industry into nutrition, environmental protection/sustainability, and emphasis on personal experience. In 2022, the total food consumption in Mainland China was about US\$1.8 trillion, and the food and beverage consumption per capita was about US\$1,122 (2% decline). It is expected to grow to US\$2.1 trillion in 2027.

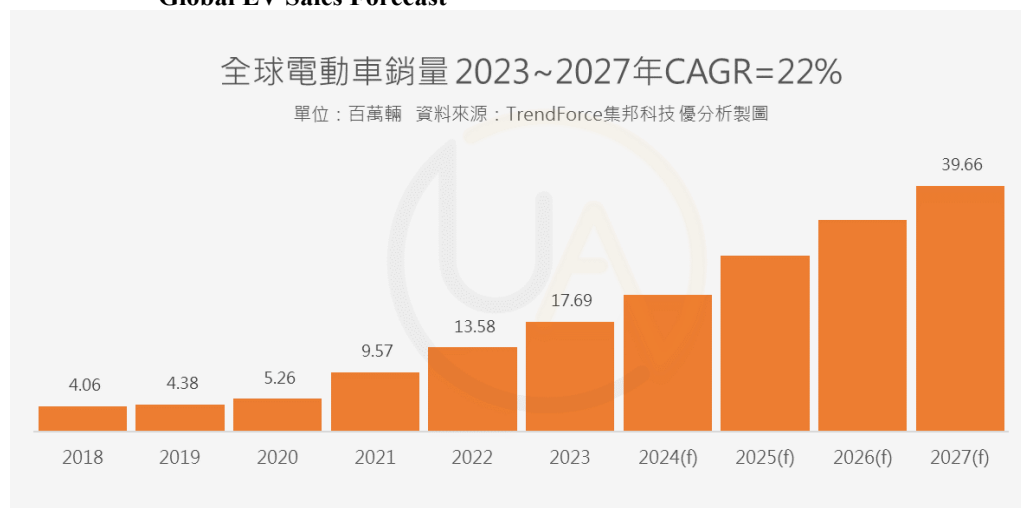
(2) Automobile Industry

A. The automobile industry overview

According to the “STANDARD INDUSTRIAL CLASSIFICATION SYSTEM OF THE REPUBLIC OF CHINA” of the Directorate-General of Budget, Accounting and Statistics, The Executive Yuan, the automobile industry can be broken down into “Automobile Body Manufacturing” and “Automobile Parts Manufacturing”. According to the classification standards of the Taiwan Industry Economics Services, “Automobile Parts Manufacturing” can be further broken down into engine parts, transmission system, steering system, in-vehicle appliance parts, braking system, and other automobile parts. When being classified by sale of automobile parts, the automobile industry consists of the Original Equipment Manufacturing (OEM) market, Own Designing & Manufacturing (ODM) market, and the After Market and Original Equipment Service Market aiming to provide after-sale services. Since original manufactured parts demand high quality and stringent control, it’s not easy to tap into the international automobile supply chain. Therefore, Taiwanese manufacturers still focus on collision parts for the AM market. The Airbag Inflator made by the company is one of the passive safety components in other groups of auto parts, and it is primarily supplied to the OEM level 1 factory of airbag systems.

According to the latest forecast on the electric vehicle market made by Trendforce, the global sales of new energy vehicles (including BEV, PHEV, and FCV) would reach about 17.69 million vehicles in 2023. It is estimated that there will be a long-term growth rate (CAGR) of 22% per year until 2027, and the annual sales volume will reach nearly 40 million vehicles.

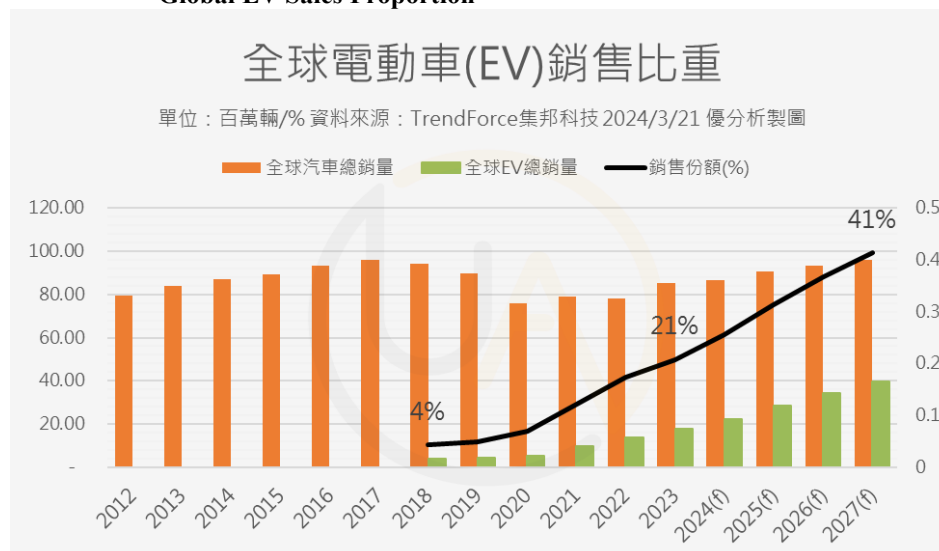
Global EV Sales Forecast



In terms of market segments, the Chinese market accounted for 49% of sales in 2023, far ahead of Western Europe, accounting for 21%. The U.S. market accounted for about 15% of the global sales, the Japanese market accounted for 8%, and the other region accounted for 7%.

In addition, according to Trendforce's forecast on total global auto sales, about 85.03 million vehicles were sold in 2023, of which about 21% were electric vehicles. It is estimated that the total global car sales will reach 95.77 million units by 2027, and the compound growth rate between 2023 and 2027 will be only 3%, which will only be similar to the GDP growth rate. However, the compound annual growth rate of electric vehicles will reach up to 22%, mainly due to the increase in sales proportion.

Global EV Sales Proportion



Looking to the future, with the support of governments' policies, more than 20 countries around the world have proposed to ban the sale of conventional fossil fuel vehicles under the subsidies for electric vehicles and carbon emission restrictions by 2030. In addition, the European Union has announced that it will completely ban the sale of petrol vehicles after 2035. Electric vehicles have gradually become a new choice for the automotive consumer market, and the future will continue to be optimistic.

B. Automobile safety equipment is becoming more widely used.

The completeness of the safety system is a major consideration for the consumer when purchasing the vehicle, particularly the configuration of airbags. The National Highway Traffic Safety Administration of the United States has confirmed the effectiveness of the airbag in the reduction of the fatal injury to the body in a collision at high speed. The airbag will still be highly efficient even if the passenger does not use a seat belt. The airbag is a passive safety

system. When a crash occurs, it acts as buffer for the absorption of energy between the body and the external hard objects, thus reducing damage caused to the body by the crash. The vehicle airbag system is mainly composed of an impact sensor, a central processing unit, a gas inflator, and a bag; an inflator has two types, namely, a disk type and a tube type. The inflator manufacturing techniques can be divided into three categories: pyrotechnic, hybrid and stored gas. The Company produces disk-type and tube-type hybrid inflators. The disk-type is mainly used as driver's seat and front passenger seat airbags, and the tube-type is mainly used as side bags and curtain bags.

According to the New Car Buyer Survey (NCBS), consumers are more concerned about the security of the vehicle than other aspects such as the interior space and the efficiency of the fuel economy. Since 2008, the advanced countries of Europe and America have listed the six air bags as standard equipment. Growing safety awareness among consumers and tougher safety standards implemented by government departments are driving the rapid advancement of automotive safety systems. According to the statistics on global airbag market size published by the Fortune Business Insights, the global automotive airbag market size was valued at USD 47.96 billion in 2021 and is projected to grow from USD 50.12 billion in 2022 to USD 81.81 billion in 2029, at a CAGR of 7.3% during the forecast period.

In addition, China released a new version of the China's New Car Assessment Program (C-NCAP) in July 2018, emphasizing occupant protection, child protection, and active safety. The inclusion of side airbags for occupant protection is expected to drive the car airbag inflator market in China. According to the forecast of Mordor Intelligence, the market size of China's automotive airbag system will be US\$12.58 billion in 2021, and is expected to grow at a compound annual growth rate of 7.5%, reaching US\$19.41 billion by 2027.

2. Association between the upstream, midstream, and downstream of the industry.

(1) High-pressure charger

Upstream	Midstream	Downstream
Steel coil, gas, paint, metal parts	high-pressure charger	Indirect or direct sales through agents and traders, including: Chain coffee beverage industry, catering industry, leisure sports industry, safety and lifesaving industry, beauty care industry, health care industry and other special designs and applications that require gas power.

(2) Inflator

Upstream	Midstream	Mid-downstream	Downstream
Case, base, and other metal processing parts, igniter, chemical raw materials, gas	 Impact sensor CPU Bag	Airbag system factory Wearable personnel protection equipment (PPE) factories, including: anti-fall belts, protective clothing for heavy motorcyclist and skiing.	Car assembly plant

3. Various developments of products trend and competition

(1) High-pressure charger

A. Development trend

With the increase in income, the change of life style, and the advancement of science and technology, high-pressure chargers have wider applications.

(A) As for the food industry, with the increase in income and changes in consumption patterns, the use of N₂O high-pressure chargers in the coffee and beverage industry or the pastry industry has grown steadily year by year. Self-produced carbonated drinks, which emphasize the

protection of health and the environment, are also becoming more popular in the light of the increasing awareness of health among consumers, thereby helping the growth of the market for high-pressure CO₂ chargers.

- (B) In terms of sports, such as air rifles, bikes and inflatable guns. , the application is continuing to increase and the demand on the market is steadily increasing.
- (C) Other special applications for the medical and health industry and emergency life-saving industry are gradually being designed and developed.

B. Marketplace

Small high-pressure chargers are a niche industry with a limited market scale. Market growth in Western countries such as Europe and the United States is relatively stable. The existing major suppliers include the Company, iSi, KAYSER, and Liss. There are also manufacturers in China, which are gaining market share, resulting in fierce market competition.

(2) Inflator

A. Development trend

Inflators are mainly used in automobile airbags. Due to the safety requirements of various countries, the higher requirements of the consumers for safety equipment and the competition on the market among the manufacturers of automobiles, the number of each vehicle's average airbag has increased, resulting in a global increase in the demand for airbags. The following five factors hold considerable sway over the growth of market size:

- (A) Global automobile production volume
- (B) Government regulatory requirements
- (C) Consumers are increasingly cognizant of car safety equipment.
- (D) Automobile safety systems are receiving more attention from car makers, resulting in an increase in the average number of airbags fitted in each car.
- (E) Development and application of new technology

As sensors have progressed and electronic control technology has been refined, airbags are becoming smarter. After detecting occupant positions in the seats with sensors and data collection, the processor uses electronic calculation to process the inflation and control of airbag inflation, to ensure optimal performance, to prevent unnecessary deployment and then to improve the safety effect of the system. In addition, to prevent users' contact with potentially dangerous substances or toxins, airbags will be designed in a safe and harmless way, thereby further enhancing their safety and effectiveness.

B. Marketplace

The inflator is a critical component of the airbag system. The design and production of inflators involves a wide range of advanced and complex technologies, including pharmaceutical formulations, high pressure gas-filling technologies, and metal-case material technology. The airbag can only be used once, and can't be tested after installation. Even after installation the function might remain unused for the rest of the life of the vehicle. Therefore, the research and development, the design, and the production of inflators must be conducted under strict supervision, which means that the product must have a very high level of creditability and stability.

A professional inflator designer and manufacturer must possess the design and technical strength capable of meeting customers' demand for innovative function, rigorous quality control capability, and highly automated production and inspection capability, and is therefore an industry with an extremely high entry barrier. In addition to jointly developing products with customers, the Company continues to research and develop advanced technologies, and actively constructs a variety of products to cope with international competition and meet market demand.

The gas generating agent plays the major role in determining the performance and price of inflators. The Company's airbag inflator uses a mixture of gas, which consists of high pressure gas and small amounts of explosive agents (exclusion of ammonia nitrogen). The inflator has an inner and outer explosion-proof design. The metallic external components are hermetically sealed, thus greatly reducing the risk of the agent becoming wet. In addition, there are less chemicals used and the explosions are less hot, so the damages to passengers are reduced to minimum levels. The regulatory framework and consumers' increasing demand for safety make the Company's hybrid inflators more competitive.

(III) Overview of Technology and R&D

1. The technical level and research and development of the business

(1) Technical level

High-pressure chargers are widely employed, in particular in food, leisure and sports industries, and in the safety and medical industry, making safety an indispensable part. The Company is not only the first and largest producer of high-pressure chargers domestically, but also a leader in the production of high-pressure chargers in the world. It is a holder of multiple patents, especially in high-pressure charger mouth valve sealing device, method, and structure.

The Company's R & D team has successfully developed a series of inflators and obtained several patents by leveraging the excellent basis of the manufacture of chargers and high pressure gas fillers along with gas-producing agent technology. The Company's airbag inflators adopt a hybrid design, i.e., containing a mixture of high-pressure gas and a small amount of gas-generating agent. All of the external metal components are totally sealed and filled with pressurized gas to protect the gas-producing agent from external environmental moisture. Consequently, there is no danger of a chemical being exposed to moisture. since the chemicals used are of small amount, the temperature generated during inflation is low, and the amount of dust is also small, the damage to passengers can be minimized. The design features double-layer protection with high-strength steel, and is therefore safer than traditional pyrotechnic gas inflators.

(2) Research and Development

The Company actively recruits R&D talents, broadens the technical field and gets closer to customers, strengthens the feasibility of new product development, improves production and delivery efficiency, creates product differentiation, and improves product safety reliability to strengthen market competitiveness. Therefore, the R&D work in the future will focus on advanced production management and development of high value-added products.

2. Research and development personnel and their education and experience

Year		2022		2023		Unit: person; %	
		2022		2023		Year-to-date through March 31, 2024	
		Number of persons	%	Number of persons	%	Number of persons	%
Educational background dispersion	Doctoral Degree	2	7	2	8	2	7
	Master	7	26	7	27	7	25
	University (including junior college)	17	63	17	65	19	68
	High school and vocational school	0	0	0	0	0	0
	Below high school	1	4	0	0	0	0
	Total	27	100	26	100	28	100

3.R&D expenses invested in the most recent year and in the current year up to publication date of this annual report

The Company's R & D expenses for 2023 was NT\$47,217 thousand , accounting for 3.62% of operating revenue.

4. Technology or product successfully developed

The company and its subsidiaries continue to optimize production management, improve product quality and develop high value-added products to enhance the core competitiveness. Projects that were accomplished in 2023 are as follows:

- (1) Optimized Soda Water Machine: By optimizing the structure for slow release of pressure and reducing the instantaneous gas flow, the mixing efficiency of CO₂ and water inside the bottle is enhanced. This achieves a better taste and operational feel.
- (2) Develop a quick tire repair kit for motorcycles and automobiles (including tire repair agent bottles

and inflator): Using the characteristics of high-pressure gas to propel tire sealant, this method achieves both tire puncture repair and tire pressure replenishment. The operation process is simple, making it suitable for self-use by general consumers.

- (3) Automotive/Commercial electronic expansion valve: The ability to precisely control temperature while achieving energy savings is crucial. This can be applied in electric vehicle thermal management systems, as well as residential or commercial refrigeration, air conditioning, and heat pump systems.
- (4) Automotive/commercial precision flow control ball valve: Integrating the characteristics of expansion valve and solenoid valve, the flooded flow curve is particularly suitable for environments requiring low-temperature heating and high-temperature cooling. This can be applied to stabilize electric vehicle battery performance, multi-split heating and cooling systems, and heat pump systems.
- (5) Seat cushion airbag inflator: Autonomous vehicles airbag application on emergency supplementary restraint for extended relaxed (zero-G) seating position.
- (6) Three stages heavy duty gas generator: 50kg grade object launcher apply for land, underwater, and air field. Three stages preset power force.

(IV) Long-term and short-term business development plans

1. Short term business development plan

(1) High-pressure charger

- A. Use the core technology of gas filling to develop products for high value-added applications, to reduce the operational risk that comes from excessive concentration on customers and industry.
- B. Elevate the quality of high-pressure chargers and customers' satisfaction; foster current customers and acquire new customers.

(2) Inflator

- A. The company develops and produces a full range of airbag inflators, and has been deeply involved in the Chinese market for several years. With its high quality products and relevant certificates, it is able to produce products of specifications tailored to customers' needs swiftly. In this sense, it will keep on taking in safety airbag system customers.
- B. Personal protective devices have a wide range of applications, such as sports protection, motorcyclist airbag clothing, and elderly fall protection, among others. The Company will provide safe and reliable inflators for different systems and devices to protect the safety of personnel by virtue of the rapid and flexible design and service niche, in order to increase the shipment and market visibility of the product.

2. Long-term business development plan

(1) High-pressure charger

- A. The Company will strengthen the relationship with partners in different channels. Through the annual communication and sales feedback with distributors and traders, the Company aims to consolidate and continue to expand the business of customers and traders, thereby creating a stable and win-win collaboration model and maintaining steady growth and increasing market share. The Company will persist in bringing in first-rate, safe products as the bedrock of sustainable operations.
- B. Boost the familiarity of the "mosa" brand and enhance the product image to keep away from price competition.

(2) Inflators

- A. Continue to cooperate closely with the manufacturers of airbag systems in the development of hybrid generators for large volume airbags and long-pressure airbags inflator in the pursuit of new business.
- B. Develop strategic alliance partners to increase overall competitiveness: including strategic partnerships on both sides of the market and the supply of resources. By leveraging a wide variety of resources and capabilities and a core competitive advantage, the two parties can pursue their common interests.

II. Markets, production, and marketing

(I) Market Analysis

1. Sales area of main products

Unit: In NT\$ thousand; %

Region		Year		2022		2023	
				amount	%	amount	%
Export	Asia			920,086	48.64	849,170	65.08
	Europe			314,276	16.62	56,294	4.31
	America			268,410	14.19	199,754	15.31
	Other areas			197,461	10.44	42,870	3.30
Subtotal				1,700,233	89.89	1,148,088	88.00
Domestic sales				191,258	10.11	156,630	12.00
Total				1,891,491	100.00	1,304,718	100.00

2. Market share

(1) High-pressure charger

Due to the lack of a comprehensive and impartial market share data, it is not possible to measure the Company's market share compared to its competitors. Currently, there are only a small number of significant distributors of high-pressure chargers across the globe. The main competitors are Austria-based iSi and Kayser, and Hungary-based Liss. We are a foremost producer of high-pressure chargers on a global scale.

(2) Inflator

The flagship products of the Company's subsidiaries are inflators, which are suitable for use in automobile airbags and wearable protective items. Because such products remain in development and expansion stages, the market share potential is huge, judging from the global market scale.

3. The future supply and demand situation and growth of the market

(1) High-pressure charger

The Company is mainly engaged in the manufacture and sale of cream whippers, soda maker, high-pressure chargers and their spare parts. Our products are used in many industries, such as food, leisure sports, and medical beauty industries. The Company's high-pressure chargers are mainly used with high-pressure containers, including cream whippers and soda maker, to make whipped cream, culinary soup and sauces, nitrogen coffee drinks and soda water (that is, sparkling water). Through a distribution network such as distributors and traders in various regions, we fulfill the demand of coffee and beverage shops, restaurants and home catering around the world. Therefore, the future development of the market is closely linked to the growth of global demand for catering. The following is hereby asserted:

A. The population of the world is growing and average income is on the rise.

According to the "World Urbanization Prospects 2022" compiled by the United Nations Population Division of the Department of Economic and Social Affairs, 56% of the world's population currently lives in cities, and this proportion is expected to increase to 68% by 2050. The report pointed to the fact that the epidemic of COVIC-19 in 2020 has only temporarily stalled the rapid urbanization process, and that the global population of urban areas has resumed its growth trajectory. As a consequence, the population of urban dwellers in different countries is projected to increase by 2.2 billion by 2050. North America is currently the most urbanized region in the world, with 82.60% of the population living in cities in 2020. The urbanization rate in Asia is relatively low, only about 51.10%; however, urban population in Asia accounts for 53.92% of the global urban population. By 2030, the world will have 43 super large cities with more than 10 million people, most of which are in the developing world. Therefore, with rapid development in emerging countries over the last few years, their citizen's consumption power continues to grow. The expansion of the world's population into urban areas will benefit the Company, leading to increased business growth for the Company.

B. The global economy is exhibiting a slowing rate of growth and higher degree of uncertainty.

The catering industry, such as the restaurants and the beverages, has a strong correlation with the ordinary consumer and the daily consumption of them. Therefore, any change in the economic development in the various regions around the world will have an impact on the development of the catering market in the future. The global economic development and social stability were

adversely affected in 2023 due to high inflation, high interest rate and the increased economic sanctions between the United States and China, plus the ongoing Russo-Ukrainian War, the conflict in the Gaza Corridor and the Red Sea crisis. According to the data of the IMF's report in January 2024, the global economic growth declined from 3.5% in 2022 to 3.1% in 2023, of which the economic growth of developed countries declined from 2.6% in 2022 to 1.6% (due to the poor performance of the economies in the Eurozone; the economic growth dropped from 3.4% in 2022 to 0.5%). However, the economic growth of emerging markets and countries maintained the level of 4.1% of 2022, driven by China's economic growth of 5.2%. However, the global economic growth in 2024 and 2025 will be 3.1% and 3.2% respectively, lower than the average level of 3.8% from 2000 to 2019. The reasons are the continued high interest rate policies of central banks to combat inflation, the reduction of fiscal expenditures by many countries due to high debt levels, and geopolitical constraints on the momentum of the manufacturing industry. The World Bank indicates that although the global economy showed resilience in the face of the recession risk in 2023, the fiercer geopolitical tensions will bring new challenges and result in a slower economic growing speed of most economies in 2024 and 2025 than the speed over the past decade.

C. The catering industry is emphasizing creativity and healthiness.

The global market for catering benefits from an evolution in urbanization; Urban population increases, with rising per capita income increases, and the epidemic increases the likelihood of eating at home. New food cultures such as individual meals, frequent small meals, and snacks as square meals are gradually popularized, bolstering the flourishing of the catering industry. In addition, because of the effect of the reduction in sugar consumption and the healthy trend of consumption, which has been triggered by the sugar tax introduced in several European countries in the last few years, the awareness of the health of consumers has increased and the consumption per capita of carbonated drinks has significantly decreased. Therefore, Pepsi Cola acquire SodaStream, a carbonated drink manufacturer (a well-known brand of household soda makers) with US\$3.2 billion in 2018 to tap into the market for healthy beverages. For Pepsi Cola, the purchase of the household soda maker SodaStream is not only a way to satisfy the desire of consumers to drink a low-calorie drink, but also a means to directly penetrates the household market through physical channels. In addition, new cold brew nitrogen coffee, launched in the recent years, has waged the fourth coffee wave. The cold brew coffee, which became popular in 2015, has been upgraded to cold brew nitrogen coffee, which uses nitrogen pressurization technology to produce denser foam than using carbon dioxide, rendering a coffee taste like draft beer; the refreshing taste has become a new favorite son of the coffee industry. With the increase in income and changes in consumption patterns, the use of N₂O high-pressure chargers in the coffee and beverage industry or the pastry industry has grown steadily year by year. Self-produced carbonated drinks, which emphasize the protection of health and the environment, are also becoming more popular in the light of the increasing awareness of health among consumers, thereby helping the growth of the market for high-pressure CO₂ chargers.

In summary, in 2023, the global economy was under tremendous pressure from high inflation, high interest rate and geopolitical risk. In the face of the shrinking global consumption power, the overall demand of the food and beverage market is bound to be affected. However, as urbanization in emerging countries accelerates, consumers will be more eager for healthy diets and to seek spiritual comfort from leisurely meals, and these will become a cornerstone for the Group's performance growth after the economy recovers in the future.

(2) Automobile airbag inflators

The Company's primary auto components consist of airbag inflators. The growth and decline of the automotive industry is mainly related to the overall market for new cars. Since vehicles are a durable consumer product, the decision to buy a car will depend on the level of income of the consumer and expectations of the future job market or the economic climate. Looking at the global auto market, the three major sales markets are concentrated in China, North America, and Europe, accounting for 20% to 30%, respectively. The sales of these three almost form the outline of the entire auto market. According to the forecast made by S&P Global on December 2023, there will be as many as 88.3 million vehicles sold worldwide in 2024, an increase of 8.9% compared to 2022. The sales in these major auto markets in Europe, the United States, and China will continue to rise.

The vehicle airbag system is mainly composed of an impact sensor, a central processing unit, a gas inflator, and a bag; the inflator manufacturing techniques can be divided into three categories: pyrotechnic, hybrid, and stored gas. The Company produces disk-type and tube-type hybrid inflators.

The disk-type is mainly used as driver's seat and front passenger seat airbags, and the tube-type is mainly used as side bags and curtain bags. According to the New Car Buyer Survey (NCBS), consumers are more concerned about the security of the vehicle than other aspects such as the interior space and the efficiency of the fuel economy. As the safety of cars is increasingly taken into account, consumers are increasingly demanding new air bags, which make the airbag number an important factor in the development and design of new models of cars. Medium- to high-priced cars are increasingly equipped with more than 6 airbags, including 2 front airbags for the driver/front passenger seat, 2 side curtain airbags capable of spanning across the length of the vehicle, 2 front side airbags, driver's knee airbags, and 2 rear side airbags. In addition, there will be a gradual introduction of front and side airbags outside of the vehicle.

Growing safety awareness among consumers and tougher safety standards implemented by government departments are driving the rapid advancement of automotive safety systems. According to the 2023 Global Automotive Airbag Market Report, the global automotive airbag market is expected to grow from US\$318.75 billion in 2022 to US\$374.53 billion in 2023, with a compound annual growth rate of 17.50%, and further to US\$724.06 billion by 2027, with a compound annual growth rate of 17.92%.

In addition, China released a new version of the China's New Car Assessment Program (C-NCAP) in July 2018, emphasizing occupant protection, child protection, and active safety. The inclusion of side airbags for occupant protection is expected to drive the car airbag inflator market in China. According to the forecast of Mordor Intelligence, the market size of China's automotive airbag system will be US\$12.58 billion in 2021, and is expected to grow at a compound annual growth rate of 7.5%, reaching US\$19.41 billion by 2027.

The automotive airbag module industry is highly concentrated and has high entry barriers. The top three manufacturers of airbag systems in the world, namely, Autoliv & KSS & TRW, account for over 80 % of market share. In addition, market participants also include Tier 2 multinational companies such as Daicel and ARC, rendering a special oligopoly appearance to the market. The Company's tube-type hybrid inflator has entered the supply chain of well-known car manufacturers in China. The increasing awareness of the safety of consumers will likely increase the number of new airbags. Furthermore, the number of new cars being sold keeps going up. Therefore, five years down the road, hybrid and stored-gas inflators will have a higher growth rate and gradually increase their market share, mainly due to the increase in the use of side bags, curtain bags, and knee bags.

4. Competitive Niche

- (1) Got certified in quality systems and product quality, plus a lot of technical know-how.

The Company has obtained the AEO safety and high-quality enterprise certificate and passed the ISO 45001 occupational safety and health management system certification and CNS 45001 certification. To ensure that the high-pressure inflators and automotive airbag inflators are safe and compliant with the safety regulations of the Europe and the US, the Company had its quality system pass a variety of international certification, e.g., ISO9001, ISO22000, Halal for high-pressure chargers; TUV for high-pressure chargers/cream whippers/soda makers; NSF for cream whippers and soda makers; ANFOR (NF D 21-901), REACH, RoHS, LFGB; IATF 16949:2016, INERIS-MODULE D (2013/29/EU), and EU CE (2013/29/EU) for inflators, plus a series of product certification, e.g., DOT, BAM, National Chung Shan Institute of Science and Technology, REACH, and ELV. In addition to passing various quality system certifications and product quality certifications, the Company continues to improve product quality and production efficiency to provide customers best possible products.

- (2) Most products are self-produced, with a quality firmly established in the market.

Most of the high-pressure chargers, inflators, and their spare parts of the Company are produced in-house by sending raw materials purchased from domestic or foreign suppliers through tens of processing processes. Since the establishment of the Company, it has maintained good relations with the major suppliers in order to ensure a stable supply of quality raw materials. By leveraging the Company's excellent production technology, high quality and precision, good after-sales service, quality inspection, and technological advancement, along with a firm grasp of product delivery dates, the professional production management team is able to coordinate production and sales with clear standard operating procedures and precise execution, so as to reduce costs. Therefore, the Company has a stable customer base, making business development smooth and earning recognition from many customers at home and abroad. In addition, the Company sells products under its own brand name "mosa" or on an ODM basis to customers in Europe, America, Asia, Oceania, Africa, and other parts of the world. In doing so, the Company has polished its product image and enhanced its international

competitiveness, and is therefore deeply trusted by customers.

- (3) Equipment automation and factory intelligence will reduce the time-to-market and improve production efficiency

Taiwan's industry is having difficulty hiring workers. To meet customers' requirements on product types, quantity, delivery date, and quality, making factories more automated and smarter is a must for the Taiwanese manufacturing when it comes to investment in equipment and capacity. The Company continues to purchase machinery and equipment that can optimize or improve stability and precision by referring to the varied requirements on the function and attribute of process equipment; in addition, to ensure the stability and precision of product quality, operating systems and standards, in addition to purchase of production lines equipped with precision equipment and inspection instrument, throughout the new factories will be established, to provide more premium service to customers.

- (4) Stable and mutually beneficial channel partnership model

The high-pressure charger produced by the Company is intended for an oligarchy market. Despite so, as market competitors cut in, a sound network of distributors, traders, and distribution channels becomes even more important. Only by establishing effective marketing channels for products and expanding the scope of sales can business growth be maintained. The Company sells mainly through a distribution network consisting of restaurants and shops all over the world. This bond with every distribution channel gives the Company the advantage over its peer competitors. The distributors' loyalty to the firm is improved by the annual communications and sales feedback with the distributor and the trader.

5. Positive and negative factors for future development, and the company's response to such factors

(1) Positive factors

A. High-pressure charger

- (A) The market demand is steadily rising.

Due to the continued growth of global population in the past few years, the enormous domestic demand market in major economies will be a driving force for the future development of a consumer market. With the increase in the national incomes, the capacity for consumption will increase. so will the urbanization rate. In addition, globalization and diversification of the idea of diet and the increase in the urban migrant population has increased the proportion of people eating out. As competition in the catering market intensifies and globalization and diversified diet concepts weigh in, catering companies will continue to introduce innovative catering applications to cater to a wide range of customers in the food market. Expansion and growth in the catering industry and the introduction of new products will be beneficial to the business development of the Company.

- (B) A professional manufacturing facility that has perfected the manufacturing of key processes

The Company's main products, including high-pressure chargers, cream whippers, soda maker, and their spare parts, need to be sheered and cut, stamped, necked, and cleaned, and then filled and electroplated before being combined with other spare parts. The Company has achieved mastery of the production technology and capability of the critical process; it monitors the progression of the process and the functioning of the production line via the system, so as to ensure product quality and delivery date.

- (C) Broad spectrum of product uses

High-pressure chargers have a wide range of applications. They can be used as a power source for the food industry, recreational sports industry, beauty and maintenance industry, and health care industries. Therefore, the Company actively develops new application products to avoid being affected by fluctuations of a single industry and thus affecting the operations of the Company. In the future, with the decentralization of industrial applications and global economic growth, the demand for high-pressure chargers will increase as a result.

- (D) Safety regulations are tightening.

The laws and rules of developed countries in the Europe and United States place great importance on the security of high pressure chargers and are increasingly stringent, most of such laws and rules have set out relevant standards. In this way, the entry barrier for those that desire to enter the product industry has been raised. The Company has a strong technical team, strict manufacturing processes, and strict quality control procedures, and it has been involved in this industry for a long time. It is a brand leader in the market for high pressure chargers, and will maintain its position in the future.

B. Inflatators

- (A) The automotive industry is experiencing an expansion in demand for passive safety.

The automobile airbag is a passive safety protection device that can effectively protect the driver and passengers in the car, and its performance is a key factor in the vehicle passing the crash test. The global automobile sales volume is increasing and consumers' heightened focus on safety will result in an upsurge in the demand for airbags, which will likewise bring up the demand for inflators, the core parts of airbags.

- (B) Car safety laws are becoming more stringent.

Major regions of the world - Europe, USA, Japan, and countries in the emerging markets - are increasingly concerned about the safety of vehicles. Therefore, the majority of them put in writing that the system of airbags must be included in the standard equipment of vehicles, and they have formulated more strict safety regulations. Nations have dedicated a great deal of resources to exploring and creating more sophisticated airbags. This shows that automobile airbags have become a necessity for the global passive protection of automobiles, and that they will help to develop and grow the market for airbags.

- (C) Introducing a range of advanced airbags will facilitate a boost in assembly rate.

Consumers are becoming more aware of the safety systems in cars. Moreover, car makers will be directing their attention to new technology development and product design in the foreseeable future. In addition to front airbags that have become standard equipment for consumers, other new applications have successively been put on the market, including side airbags, curtain airbags, head and chest airbags, and knee airbags; furthermore, other new solutions such as far-side airbags, bumper airbags, baby safety seat airbags, rear impact airbag systems, and induction airbags are all expanding the market size of airbags. This trend will pave the way for future development of the Company's inflators.

- (D) Has become a part of the Chinese auto parts supply chain

The automotive industry requires suppliers' components to meet stringent quality certifications. The cooperative relationship between automakers and suppliers, once secured, will be hard to alter. Such industry characteristics have erected an entry barrier to some extent. The Company has been engaged in the Chinese market for a number of years. With its high quality products and its certification, it has successfully integrated into the supply chains of Chinese manufacturers of airbags. Being close to the Chinese market which uses the same language and feature the same ethnicity groups, and being able to tailor service to customers' needs in a wink of time, the Company will have more advantages than European and American manufacturers when it comes to serving Chinese customers.

(2) Unfavorable factors

A. High-pressure charger

- (A) Likelihood of raw material cost instability

The company's high-pressure chargers are metal products made from raw materials, including steel coils and gases such as N_2O and CO_2 . Fluctuations in international metal raw material prices, shifts in international politics, and alterations in the global economy can all have an effect on the cost of steel coils. As a result, these costs directly affect the production costs of the product.

Countermeasures:

The Company has forged long-term cooperative ties with various vendors for the procurement of raw materials, and inked agreements with key gas providers to regulate costs and guarantee an uninterrupted supply. To cope with steel prices fluctuating with the world's macro economic environment, the Company's full-time procurement personnel track the quotations for import of raw material and adjust product prices in a timely fashion to minimize the impact of raw material price changes on the company's profits.

- (B) The scarcity of talented individuals and the rising cost of labor have become more and more pronounced over time.

The Company's high-pressure charger are part of the traditional metalworking manufacturing sector, which requires recruitment of skilled technical personnel with certain production experience to facilitate enterprise development. However, the Company locates in a region of labor drain, and new employees are likely to go somewhere instead due to work environment, the shifting work schedule, salary, and benefits, causing unstable labor supply and indirectly impacting the stability of quality of production and products. On the other side, the wages of labor and the level of welfare in Taiwan have gradually increased in the light of the government's policy, increasing the manufacturing costs and squeezing the profit margin.

Countermeasures:

The company has introduced an industry-university cooperative program with universities and junior colleges to source professional personnel. To counterbalance the effects of talent shortage, the Company will persist in utilizing internal training and pass on experience. On the other hand, the Company is actively improving the automation of production equipment and begins involving in industrial 4.0 smart production, thereby reducing the degree of dependence on labor and improving production efficiency.

(C) Exchange rate fluctuation risk

Most of the Company's products are for export to Europe, America, Asia, and the Oceania. Most of the foreign currency sales are mainly denominated in US dollars, Euros and CNY, while the Company's purchase payment is mostly denominated in TWD. Therefore, changes in the exchange rate of TWD against USD or EUR will have impact the Company's profit and loss to a certain degree.

Countermeasures:

The accounting department of the Company closely monitors the exchange rate movements constantly and is in regular contact with the bank. Banks provide exchange rate change analysis and consulting services, enabling the department to fully grasp exchange rate trends and changes at home and abroad. At the same moment, the department continues to monitor the global macro economic situation, and promptly adjusts foreign current position to meet the Company's capital needs. In addition, sales personnel will consider the trends in exchange rates when offering a quotation, and will evaluate whether the product price should be adjusted in order to reduce risk of fluctuations in exchange rates on the profits of the Company.

B. Inflators

(A) The auto parts require extremely high input costs, with a lengthy payback period.

The automobile industry is a capital-intensive and technology-intensive industry. Since the market is maturing and international manufacturers of automobile safety systems and automakers have established cooperation, new manufacturers are generally unable to enter the market. New manufacturers can rely only on long-term investment of cost and technology in developing equipment and products and having them certified, and, without a solid financial backing, can produce only low-end products. In addition, the automotive industry's supply chain is relatively close and requires a long term certification, which means that the payback period will be longer than that in other sectors.

Countermeasures:

Because the automobile industry is a closed supply chain, it often takes new competitors at least 5 to 10 years to undergo certification and testing of product development before they have the opportunity to enter the market. By leveraging its R & D technological strength and experience, the Company strictly controls quality and advances production process, thereby being included as an approved vendor of customers. In the future, we will continue to satisfy our existing customers and develop new ones, increasing sales volumes to achieve economies of scale thus reducing the average cost and improving the overall profitability of the Company.

(B) The competitor is sizeable and holds a dominant position in the market.

The main contenders are usually major system development producers who have been the forerunners in Europe, America, and Japan. Over the past decades of development, the automobile industry has established a mature supporting industrial system, which features auto parts manufacturers clustering around car makers. Therefore, existing competitors are mostly sizeable system development manufacturers who have already occupied a dominant position in markets such as Europe, America and Japan.

Countermeasures:

The Company is an expert manufacturer of airbag inflators. It mainly cooperates, instead of competing, with various airbag system manufacturers in the market. In addition, the Company's airbag inflators adopt a hybrid design, i.e., containing a mixture of high-pressure gas and a small amount of gas-generating agent. All of the external metal components are totally sealed and filled with pressurized gas to protect the gas-producing agent from external environmental moisture. Consequently, there is no danger of a chemical being exposed to

moisture. In addition, there are less chemicals used and the reaction generates less heat, so the damages to passengers are reduced to minimum levels. By leveraging regulatory requirements and consumers' increasing awareness of safety, the Company produces hybrid inflators and offers swift tailored service to customers, thereby gaining market share, enhancing its position on the market, and increasing the penetration rate of products.

- (C) The scarcity of talented individuals and the rising cost of labor have become more and more pronounced over time.

The Company needs professional R&D personnel and technical engineers to produce its critical parts of the automobile system. However, it would be difficult for the Company to recruit, given the competition for talents from manufacturers elsewhere and the labor drain in the area in which the Company sits. As a result, the Company is exposed to the disadvantage of shortage of personnel. In addition, the rising labor costs in recent years have increased the related production costs and reduced the Company's profit margins.

Countermeasures:

Implementing a sound welfare and reward system will enhance cohesion and stability among employees, thereby reducing the turnover rate. In addition, by becoming a publicly traded company, we can significantly boost our visibility and draw in talented individuals. The Company has introduced an industry-university cooperative program with universities and junior colleges to source professional personnel. To enhance employees' skills and cohesion among them, the Company will persist in utilizing internal training and pass on experience, improve automation level to improve production yield, and hold employee activities. This helps reduce the risk of talent turnover, thus associated unnecessary costs.

- (D) The Chinese auto market could face the possibility of a price decrease.

Owing to China's rapid economic growth in the last few years, a rapid expansion of the automobile market has taken place. However, fierce competition among automakers of the brand has put the automakers under pressure to reduce car prices in order to keep sales; so often they require related auto parts suppliers to cut price to maintain their competitiveness, arousing the risk of squeezing parts suppliers' profits.

Countermeasures:

The Company continues to improve the production process, process efficiency, technical level, and automation level to reduce production costs and meet market demand. In the future, the Company will be actively expanding its customer base and developing other products of high value to increase the volume of sales and the gross profit, and to reduce the risk that the market is concentrated in China.

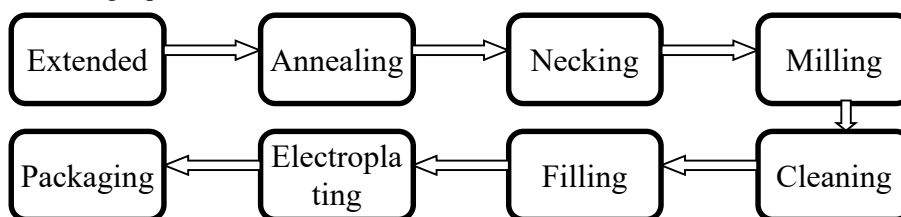
(II) Usage and manufacturing processes for the Company's main products

1. Important uses of main products

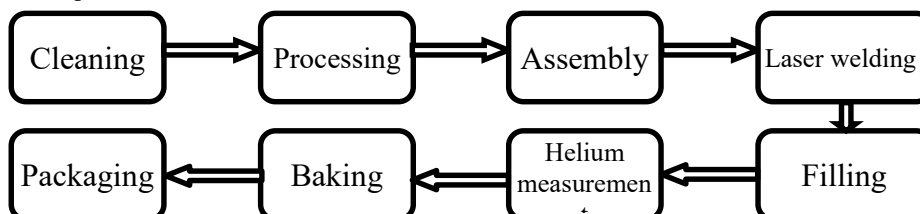
Main product	Important uses
A variety of high-pressure chargers	Food industry: -Emulsion for preservation, carbonated water/beer, sparkling drinks, restaurant conditioning, instant cooling Leisure Sports Industry -Air guns, cleaning guns, distress signal guns, tire inflation device Health-aesthetic industry - Inflatable stretchers, beauty spray
Inflators	Automobile and motor vehicle industry - Airbag Wearable Protective Products - Airbag anti-fall clothing for heavy-duty motorcycle riders, anti-fall devices for seniors, fall protection for high-altitude operations, sports protection, and fire-fighting and lifesaving.

2. Main product production process

A. Charger production flow chart



B. Inflator production flow chart



(III) Availability of main raw materials

Main raw materials	Source	Availability
Steel coil	China Steel Corporation	Readily available
N ₂ O gas	Companyies S1 and S2	Readily available

(IV). A list of any suppliers (customers) accounting for 10% or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Major suppliers in the last two years

Unit: In NT\$ thousand; %

Year	2022				2023			
Item	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	China Steel Corporation	183,084	24.75	None	S3	92,341	17.27	None
2	S2	104,049	14.07	None	S4	86,507	16.18	None
3	S3	88,597	11.98	None	S2	74,747	13.98	None
4	S4	41,728	5.64	None	China Steel Corporation	67,873	12.69	None
	Others	322,309	43.56		Others	213,306	39.88	
	Net purchases	739,767	100.00		Net purchases	534,774	100.00	

Reason for increase or decrease: Purchases from suppliers decreased relative to the decrease in operating revenue in 2023 over 2022.

2.Main customers in the last two years

Unit: In NT\$ thousand; %

Year	2022				2023			
Item	Name	Amount	Percent	Relation with Issuer	Name	Amount	Percent	Relation with Issuer
1	C2	546,320	28.88	None	C2	469,566	35.99	None
2	C5	157,437	8.32	None	C4	209,463	16.05	None
3	C4	148,953	7.87	None	C3	189,508	14.52	None
4	C3	120,902	6.39	None	C5	150,323	11.52	None
	Others	917,879	48.54		Others	285,858	21.92	
	Net Sales	1,891,491	100.00		Net Sales	1,304,718	100.00	

Reason for increase and decrease: There is no significant change in major sales customers, and changes in sales amount are primarily influenced by economic conditions.

(V) The production volume and value of the last two years

Unit: High-pressure chargers in 100 million pieces; inflators in thousand pieces; NT\$ thousand

Year		2022			2023		
Production volume and value	Major products (or segments)	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
	High-pressure gas charger	5.16(Note1)	2.27	992,827	4.80 (Note1)	1.27	734,541
	Inflators	3,640(Note1)	2,793	472,802	4,720 (Note1)	2,803	481,199
	Others	(Note2)	(Note2)	38,934	(Note2)	(Note2)	77,749
	Total	(Note2)	(Note2)	1,504,563	(Note2)	(Note2)	1,293,489

Note1: Production capacity calculated based on the specifications of the main products.

Note2: In light of the variances in product measurement units, data will remain undisclosed.

(VI) The sales volume and value of the last two years

Unit: High-pressure chargers in 100 million pieces; inflators in thousand pieces; NT\$ thousand

Year		2022				2023			
Sales volume and value	Major products (or segments)	Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
	High-pressure gas charger	0.34	183,421	1.94	1,010,958	0.30	149,427	1.00	521,140
	Inflators	0.012	24	2,787	653,267	0.004	11	2,523	557,704
	Others	(Note)	7,813	(Note)	36,008	(Note)	7,191	(Note)	69,245
	Total	(Note)	191,258	(Note)	1,700,233	(Note)	156,629	(Note)	1,148,089

Note: In light of the variances in product measurement units, data will remain undisclosed.

III. The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)

Unit: person; years old; year

Year		2022	2023	Year-to-date through March 31, 2024
Number of employees	Research and Development	27	26	28
	Manage	32	30	34
	Manufacturing	332	280	265
	Sales	9	7	7
	Total	400	343	334
Average age		35	36	36
Average years of service		5.6	7.1	7.3
Distribution of education attainment	PhD	0.50%	0.58%	0.90%
	Master	6.75%	7.87%	8.38%
	Junior college	38.50%	42.27%	41.92%
	Senior high school	48.25%	43.15%	42.51%
	Below senior high school	6.00%	6.13%	6.29%

IV. Environmental protection expenditure

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid), the amount of penalties, and disclosing response measures to be taken (including improvement measures) and an estimate of possible expenses that could be incurred (including the would-be loss had no response measures were taken, an estimate of the amount of penalties and compensation; if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided) :None.

V. Labor relations

- (I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

1. Employee welfare measures

(1) Employee Welfare Committee

The Company has set up its Employee Welfare Committee according to law to carry out the various welfare measures; allocates a certain percentage of operating revenue, employee salary, and scraps sales income as employee welfare fund; provides employees with childbirth congratulation money, marriage monetary gift, condolence money, comfort money for hospitalization, monetary gift for birthdays, monetary gifts for Dragon Boat's Day, Mid-autumn Festival, and Labor Day, and travel subsidies; and organizes club and competition activities to reinvigorate the connection between employees.

(2) Insurance

In addition to covering employees with a labor insurance and a national health insurance according to law, the Company also purchases them a group medical insurance against accidental injury and provides them with a regular free employee health check-up, so as to ensure greater safety in both life and work for employees.

(3) Other welfare measures

The Company provides free parking at the factory, has an employee restaurant and recreation center and provides dormitories to workers in need of a rental.

2. Staff continuing education and training

In order to forge the knowledge and skills requisite for performance of duties of employees and thereby further enhance their work quality, occupational safety, and food safety awareness, the Company has established the "Human Resources Operating Procedures". New recruits will receive general and professional training within a specified period of time after they report to duties; each department develops a annual training plan in accordance with the requirements of its staff and its business conditions, and implements the plan after approval of the plan. The annual educational and training program consists of internal training, external training and professional ability training. Each year, a report on the results of the training is produced, which then is submitted to approval and used as the basis for future improvements. In 2023, the Company held 277 training courses, participated by 3,099 persons for a total of 4,602 hours for approximately NT\$134,000. Here are the training courses for this year:

- (1) Orientation for new recruits: This allows new employees to understand the history of the Company, its present advantages and the future challenges and accelerates the adaption of new employees to the workplace. What's more, training sessions concerning environmental safety are also provided, such as basic fire safety awareness, hazard literacy, and general labor safety and health training, in an effort to make a secure and safe workplace.
- (2) Internal training: In addition to basic theories, learning through doing is a key source of capability improvement. Therefore, each unit arranges a guided reading of maintenance specifications set forth on the instruction manual, and teaches equipment use, maintenance, anomaly exclusion, risk identification, and prevention of environmental safety and health hazards.
- (3) External training: Arrange for relevant officers or special operators to attend external training courses according to laws and regulations.
- (4) General-purpose training: Company-wide general-purpose training courses planned in accordance with government regulations and company policies, Including environmental safety and health courses, emergency response training in the factory area, quality management courses, and occupational disaster awareness session.

The Company's managers took part in the following corporate governance courses:

Title	Name	Organizer	Course title	Number of training hours
Assistant Vice President of the Financial Operations Office	Hui-Ping Chuang	Taiwan Stock Exchange and Taipei Exchange	Promotional Meeting on Sustainable Issuance for TWSE/TPEX Listed Companies	3
		Taiwan Stock Exchange	2023 Cathay Sustainable Financial and Climate Change Summit	6
		Corporate Operating and Sustainable Department Association	An Overview of Insider Trading Regulations and Analysis of Practical Cases	3
		Corporate Operating and Sustainable Department Association	The Recent Update of ESG Regulations in Taiwan and the Potential Risk of ESG to Corporate Operations.	3
Chief Accounting Officer	Chun-Hsiang Hsieh	Accounting Research and Development Foundation	The Development of the Latest "ESG Sustainability" and "Preparation of Financial Statements" Related Policies and Internal Control Management in Practice	6
		Accounting Research and Development Foundation	Analysis of Common Deficiencies in "Financial Report Review" and Practical Analysis of Important Internal Control Laws and Regulations	6
Acting accounting officer	Chao-Yuan Cheng	Accounting Research and Development Foundation	Practical Analysis of the Latest "Sustainable Development Action Plan" and the Impact of Net Zero Carbon Emissions on Financial	6

			Statements	
		Accounting Research and Development Foundation	“Competition for Management Rights” Related Legal Responsibilities and Case Studies	3
		Accounting Research and Development Foundation	“Action Plan for the Sustainable Development of TWSE/TPEX Listed Companies” Related ESG Disclosure Trends and Regulations	3
The chief internal audit officer	Ya-Ling Tai	The Institute of Internal Auditors	Prevention of Sexual Harassment and Illegal Infringement (Bullying) at the Workplace	6
		The Institute of Internal Auditors	Case Study on the Practice of the Business Mergers and Acquisitions Act and Corporate Governance	6
Acting chief internal audit officer	Shu-E Hsiao	The Institute of Internal Auditors	Insider Trading and Misconduct in Financial Statements and Countermeasures	6
		The Institute of Internal Auditors	Auditing Morality and Ethical Mission and Impact of Insider Crime	6

3. Personnel related to financial information transparency have obtained relevant certificates and licenses designated by the competent authority:

Certified Internal Auditor: 1.

4. Retirement system and its implementation

The Company applies the new retirement scheme to all employees, meaning that the Company makes a monthly pension contribution equal to 6% of an employee's monthly salary to the employee's personal account with the Bureau of Labor Insurance, so that the employee can withdraw the pension after certain years of service, after reaching certain age, or after satisfying other requirements set forth in the Labor Standards Act.

5. Labor-management agreements and measures for preserving employees' rights and interests

The relationship between the Company's labor and management has always been amicable. The labor and management act by the employment contract, Work Rules and various management regulations, the content of which clearly stipulates the rights and obligations of, and welfare items for, employees to protect their interests. By holding regular meetings between workers and managers, the two parties can find common ground, which will lead to a smooth promotion of the work.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI. Cyber security management

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework

Acting by Articles 8 and 9 of the Governing Regulations for Public Company's Establishment of Internal Control System, the Company has put in place regulations for personal data protection and for control of computerized information system. The IT Office has the responsibility of promoting the management of information security to ensure the security of data, systems, equipment, and networks, and the protection of users' rights and interests and interests, and regularly reporting to the board of directors on the Company's information security governance situation.

The Company's Audit Office is the department responsible for auditing information security. If the audit finds any deficiencies, the auditee will be required to immediately propose the appropriate improvement plan and specific action and the results of the improvement will be monitored regularly

in order to reduce the internal security risks of information security.

2. Cyber-security policy

The information security policy is based on three elements: regulation of the system, application of information technology, and training and education of personnel. Information security risk incidents are actively reported by using information technology according to the internal information security management system. In addition, education and training are carried out to comprehensively improve the information security awareness of colleagues.

3. Specific management plan and resources invested in information security management

(1) Access management

- A. Administration and auditing of personnel account access.
- B. An annual review of personnel account access is conducted.

(2) Access control

- A. To prevent internal access to the system and the leakage of data, and to establish a stricter control of the account authority, the passwords must be changed at least once every 90 days in line with the complexity principle.
- B. User behavior trajectory record and analysis
- C. Implement a supplementary firewall system to prevent malicious access.

(3) External threats

- A. Develops an AI-based endpoint security solution for the server.
- B. The RDP function is disabled on important servers and the connection method that requires authentication is used..

(4) Application system

- A. Construct the server in a virtualized backup configuration.
- B. Data backup and system backup mechanism
- C. Tape off-site backup
- D. A Disk to Disk to Tape backup method is used to safeguard data.
- E. Annually scheduled disaster recovery drills

(5) Mail system

- A. Update email software and anti-phishing mechanism.
- B. Establish a web-based email multi-factor authentication method.
- C. Establishment of the POP3 authentication mechanism.

(6) Employees publicity and check

- A. Regular monthly information security report and concept dissemination
- B. Control the installation and use of personal computers software and create a legal software list to prevent the use of unauthorized software
- C. Conduct a company-wide vulnerability scan to identify risky computers

To sum up, in view of the new type of information security threats such as ransom-ware, social network attacks, e-mail fraud, etc. are increasing day by day, the Company establishes "Information Security Management Regulations", installs information security management equipment, and implements backups; it also provides training in information security in order to improve the awareness of information security of all employees, and to significantly improve the protection of information security. To improve information security, the Company expects itself to spend NT\$8.46 million for new installation/update of related protection software in 2023.

(II) List any losses suffered by the company in the most recent year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken.

1. At present, the Company does not have any major information security incident that has caused business damage.
2. Continue to implement information security management policy goals, and regularly implement recovery drills to protect the security of the Company's important systems and data.

VII. Important contract

Nature of contracts	Parties involved	Contract start and end date	Main contents	Restrictive covenants
Land lease	Central Taiwan Science Park Bureau, National Science Council, the Executive Yuan	2012/01/01~2015/12/31	Lease of the factory land in Huwei Park from others	-
Building lease	Mosa Safety System Corp.	2020/01/01~2025/12/31	Lease of factory buildings and offices in Huwei Park to others	-
Credit contract	Bank SinoPac Taichung Branch	2019/12/25~2024/12/25	Line of credit	-
Credit contract	Taiwan Cooperative Bank Nankan Branch	2018/11/12~2032/11/12	Long-term secured line of credit	-
Credit contract	Taiwan Cooperative Bank Nankan Branch	2019/11/20~2029/11/20	Long-term secured line of credit	-
Credit contract	Taiwan Cooperative Bank Nankan Branch	2023/03/15~2029/03/15	Medium-term secured line of credit	-
Credit contract	Taiwan Cooperative Bank Nankan Branch	2023/07/07~2028/07/07	Medium-term secured line of credit	-
Credit contract	Taiwan Cooperative Bank Nankan Branch	2023/07/07~2028/07/07	Medium-term secured line of credit	-
Procurement contract	A domestic gas company	2017/10/25~2033/03/31	Purchase of liquid nitrous oxide gas	-
Procurement contract Supplementary Agreement (I)	A domestic gas company	2020/12/21~2033/03/31	Purchase of liquid nitrous oxide gas	-
Procurement contract Supplementary Agreement (III)	A domestic gas company	2023/07/01~2024/06/30	Purchase of liquid nitrous oxide gas	Supply adequacy agreement

Six. Financial overview

I. Condensed balance sheet and comprehensive income statement for the most recent five years

(I) Condensed balance sheet and comprehensive income statement - International Financial Reporting Standards

1. Condensed balance sheet

(1) International Financial Reporting Standards (parent company only)

Unit: NT\$ Thousand

Item	Year	Financial information for the last five years (Note 1)				
		2019	2020	2021	2022	2023
Current asset		1,537,685	993,043	1,106,687	950,751	956,583
Property, plant and equipment		5,077,188	3,641,499	3,583,308	3,525,283	3,315,511
right-of-use asset		1,129,414	1,105,783	1,082,706	1,059,629	1,036,552
Intangible assets		6,633	5,678	5,651	4,383	3,595
Other assets		287,076	2,108,091	2,216,512	2,154,690	2,045,556
Total assets		8,037,996	7,854,094	7,994,864	7,694,736	7,357,797
Current liabilities	Before distribution	842,007	844,532	976,373	1,098,755	500,167
	After distribution (Note 2)	1,238,229	1,082,157	1,213,998	1,139,313	500,167
non-current liabilities		2,750,161	2,617,511	2,544,288	2,303,545	2,545,230
Total liabilities	Before distribution	3,592,168	3,462,043	3,520,661	3,402,300	3,045,397
	After distribution (Note 2)	3,988,390	3,699,668	3,758,286	3,442,858	3,045,397
Equity attributable to owners of parent company		—	—	—	—	—
Share capital		1,805,462	1,835,510	1,827,883	1,827,883	2,027,883
Additional paid-in capital		1,832,741	1,847,053	1,854,680	1,854,680	2,086,402
Retained earnings	Before distribution	812,222	714,017	796,197	614,374	202,754
	After distribution (Note 2)	416,000	476,392	558,572	573,816	202,754
Other equity		(4,597)	(4,529)	(4,557)	(4,501)	(4,639)
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	4,445,828	4,392,051	4,474,203	4,292,436	4,312,400
	After distribution (Note 2)	4,049,606	4,154,426	4,236,578	4,251,878	4,312,400

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

Note 2: The 2023 deficit compensation was based on the resolution reached by the board of directors on May 12, 2024.

(2) International Financial Reporting Standards (consolidated)

Unit: NT\$ Thousand

Item \ Year		Financial information for the last five years (Note 1)				
		2019	2020	2021	2022	2023
Current asset		1,548,895	1,590,757	1,797,931	1,800,130	1,778,229
Property, plant and equipment		5,077,206	5,019,192	4,889,892	4,787,635	4,561,077
right-of-use asset		1,129,414	1,105,783	1,082,706	1,059,629	1,036,552
Intangible assets		6,719	5,769	5,735	4,446	3,948
Other assets		275,934	169,337	331,969	259,042	202,047
Total assets		8,038,168	7,890,838	8,108,233	7,910,882	7,581,853
Current liabilities	Before distribution	842,179	880,852	1,089,115	1,314,901	668,098
	After distribution (Note 2)	1,238,401	1,118,477	1,326,740	1,355,459	668,098
non-current liabilities		2,750,161	2,617,935	2,544,915	2,303,545	2,601,355
Total liabilities	Before distribution	3,592,340	3,498,787	3,634,030	3,618,446	3,269,453
	After distribution (Note 2)	3,988,562	3,736,412	3,871,655	3,659,004	3,269,453
Equity attributable to owners of parent company		4,445,828	4,392,051	4,474,203	4,292,436	4,312,400
Share capital		1,805,462	1,835,510	1,827,883	1,827,883	2,027,883
Additional paid-in capital		1,832,741	1,847,053	1,854,680	1,854,680	2,086,402
Retained earnings	Before distribution	812,222	714,017	796,197	614,374	202,754
	After distribution (Note 2)	416,000	476,392	558,572	573,816	202,754
Other equity		(4,597)	(4,529)	(4,557)	(4,501)	(4,639)
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	4,445,828	4,392,051	4,474,203	4,292,436	4,312,400
	After distribution (Note 2)	4,049,606	4,154,426	4,236,578	4,251,878	4,312,400

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

Note 2: he 2023 deficit compensation was based on the resolution reached by the board of directors on May 12, 2024.

2. Condensed comprehensive income statement

(1) International Financial Reporting Standards (parent company only)

Unit: NT\$ Thousand

Item \ Year	Financial information for the last five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	2,665,856	1,932,144	2,151,676	1,237,214	742,992
Gross profit	891,518	609,307	620,836	137,510	(128,226)
Operating (loss) profit	667,817	498,167	480,002	6,493	(306,401)
Non-operating income and expenses	(64,805)	(118,103)	(75,511)	48,245	(108,006)
Net income before tax	603,012	380,064	404,491	54,738	(414,407)
Net income of continuing operations in this period	489,737	298,017	319,805	55,802	(371,062)
Loss on discontinued operations	—	—	—	—	—
Net profits (losses) for the period	489,737	298,017	319,805	55,802	(371,062)
Total other comprehensive income for the period (net of tax)	(385)	68	(28)	56	(138)
Total comprehensive income for this period	489,352	298,085	319,777	55,858	(371,200)
Net income attributable to owners of parent company	489,352	298,085	319,777	55,858	(371,200)
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to owners of parent company	489,352	298,085	319,777	55,858	(371,200)
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share	2.80	1.65	1.75	0.31	(1.87)

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

(2) International Financial Reporting Standards (consolidated)

Unit: NT\$ Thousand

Item \ Year	Financial information for the last five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	2,691,153	2,062,150	2,480,922	1,891,491	1,304,718
Gross profit	882,799	561,933	647,150	242,681	(101,581)
Operating (loss) profit	655,834	399,498	455,695	58,910	(337,817)
Non-operating income and expenses	(52,822)	(17,941)	(50,442)	(2,788)	(78,596)
Net income before tax	603,012	381,557	405,253	56,122	(416,413)
Net income of continuing operations in this period	489,737	298,017	319,805	55,802	(371,062)
Loss on discontinued operations	—	—	—	—	—
Net profits (losses) for the period	489,737	298,017	319,805	55,802	(371,062)
Total other comprehensive income for the period (net of tax)	(385)	68	(28)	56	(138)
Total comprehensive income for this period	489,352	298,085	319,777	55,858	(371,200)
Net income attributable to owners of parent company	489,352	298,085	319,777	55,858	(371,200)
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to owners of parent company	489,352	298,085	319,777	55,858	(371,200)
Total comprehensive income attributable to non- controlling interests	—	—	—	—	—
Earnings per share	2.80	1.65	1.75	0.31	(1.87)

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

(II) Names and opinions of attesting CPAs for the past five years:

Year	Accounting firm	Name of CPA	Audit opinion
2019	Deloitte & Touche	Shu-Chin Chiang Done-Yuin Tseng	Unqualified opinion
2020	Deloitte & Touche	Shu-Chin Chiang Done-Yuin Tseng	Unqualified opinion
2021	Deloitte & Touche	Ting-Chien Su Done-Yuin Tseng	Unqualified opinion
2022	Deloitte & Touche	Done-Yuin Tseng Ting-Chien Su	Unqualified opinion
2023	Deloitte & Touche	Done-Yuin Tseng Ting-Chien Su	Unqualified opinion

II. Financial analysis for the most recent five years

(I) Financial Analysis - International Financial Reporting Standards

1. International Financial Reporting Standards (parent company only)

Item \ Year		Financial analysis for the most recent 5 years (Note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	44.69	44.08	44.04	42.53	41.39
	Ratio of long-term capital to property, plant and equipment	141.73	192.49	195.87	187.11	206.83
Solvency (%)	Current ratio	182.62	117.59	113.35	86.53	191.25
	Quick ratio	151.57	101.18	84.30	64.57	169.76
	Interest earned ratio	11.26	9.23	10.82	2.19	-6.54
Operating performance	Receivables turnover (times)	4.97	4.87	6.1	3.5	2.98
	Average collection period (days)	73	75	60	104	122
	Inventory turnover (times)	5.11	5.89	8.42	4.62	5.63
	Payables turnover (times)	9.38	8.76	9.12	9.73	19.11
	Average days in sales	71	62	43	79	65
	Property, plant, and equipment turnover (times)	0.53	0.44	0.60	0.35	0.22
	Total asset turnover (times)	0.36	0.24	0.27	0.16	0.10
Profitability	Return on total assets (%)	7.14	4.20	4.43	1.16	- 4.37
	Return on equity (%)	12.04	6.74	7.21	1.27	-8.62
	Ratio of net profit before tax to paid-in capital (%)	33.48	20.79	22.13	2.99	-20.44
	Profit margin (%)	18.37	15.42	14.86	4.51	-49.94
	Earnings per share (NT\$)	2.8	1.65	1.75	0.31	-1.87
Cash flows	Cash flow ratio (%)	97.25	105.18	39.44	17.12	49.70
	Cash flow adequacy ratio (%)	112.35	144.40	114.80	109.26	123.81
	Cash reinvestment ratio (%)	4.38	5.32	1.56	-0.53	0.11
Leverage	Operating leverage	1.42	1.53	1.58	41.42	0.22
	Financial leverage	1.09	1.10	1.09	-0.17	0.85
Reasons for changes in financial ratios for the most recent two years (If the increase is or decreases below 20%, it can be excluded from the analysis)						
1. Increase in the two solvency indicators, namely, current ratio and quick ratio: Mainly due to the issuance of new shares and convertible corporate bonds to repay short-term bank borrowings, resulting in a decrease in current liabilities.						
2. Operating performance indicators, decrease in inventories turnover and payables turnover, but increase in property, plant, and equipment turnover, total asset turnover: Mainly due to the decrease in operating revenue, inventory and Payables in 2023.						
3. Decrease in solvency (interest coverage ratio) and each profitability indicator: Mainly due to Net losses in 2023.						
4. Increase in each cash flow ratio: Mainly due to decrease in inventory, current liabilities and cash dividends in 2023.						
5 Increase in operating leverage and financial leverage: Mainly due to Net losses in 2023.						

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

2. International Financial Reporting Standards (consolidated)

Item \ Year		Financial analysis for the most recent 5 years (Note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	44.69	44.34	44.82	45.74	43.12
	Ratio of long-term capital to property, plant and equipment	141.73	139.66	143.54	137.77	151.58
Solvency (%)	Current ratio	183.92	180.59	165.08	136.90	266.16
	Quick ratio	149.54	155.66	119.86	99.32	199.13
	Interest earned ratio	11.26	9.26	10.84	2.21	-6.30
Operating performance	Receivables turnover (times)	5.27	4.82	5.16	2.94	2.28
	Average collection period (days)	69	76	71	124	160
	Inventory turnover (times)	5.79	5.46	4.91	3.26	2.83
	Payables turnover (times)	9.56	9.56	9.16	9.15	13.89
	Average days in sales	63	67	74	112	129
	Property, plant, and equipment turnover (times)	0.53	0.41	0.50	0.39	0.28
	Total asset turnover (times)	0.36	0.26	0.31	0.24	0.17
Profitability	Return on total assets (%)	7.14	4.19	4.39	1.14	- 4.22
	Return on equity (%)	12.04	6.74	7.21	1.27	- 8.62
	Ratio of net profit before tax to paid-in capital (%)	33.48	20.87	22.17	3.07	- 20.53
	Profit margin (%)	18.20	14.45	12.89	2.95	- 28.44
	Earnings per share (NT\$)	2.80	1.65	1.75	0.31	- 1.87
Cash flows	Cash flow ratio (%)	100.46	100.87	22.04	14.49	42.25
	Cash flow adequacy ratio (%)	113.05	148.71	107.93	99.99	114.21
	Cash reinvestment ratio (%)	4.15	5.03	0.02	-0.47	2.28
Leverage	Operating leverage	1.43	1.66	1.68	6.20	0.19
	Financial leverage	1.09	1.12	1.09	4.00	0.86

Reasons for changes in financial ratios for the most recent two years (If the increase is or decreases below 20%, it can be excluded from the analysis)

1. Increase in the two solvency indicators, namely, current ratio and quick ratio: Mainly due to the issuance of new shares and convertible corporate bonds to repay short-term bank borrowings, resulting in a decrease in current liabilities.
2. Operating performance indicators, decrease in i Average collection period and payables turnover, but increase in receivables turnover, property, plant, and equipment turnover, total asset turnover: Mainly due to the decrease in operating revenue, inventory and Payables in 2023.
3. Decrease in solvency (interest coverage ratio) and each profitability indicator: Mainly due to Net losses in 2023.
4. Increase in each cash flow ratio: Mainly due to decrease in inventory, current liabilities and cash dividends in 2023.
- 5 Increase in operating leverage and financial leverage: Mainly due to Net losses in 2023.

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

Note 2: Explanation of the calculation formula of financial analysis (International Financial Reporting Standards):

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets.

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

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.

(3) Interest earned ratio = Net income before tax and interest expense/Interest expenses in this period.

3. Operating performance

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

(2) Average collection period (days) = 365/Accounts receivable turnover.

- (3) Inventory turnover = Cost of sales/Average inventory.
 - (4) Payables (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average payables balance (including accounts payable and notes payable arising from business activities).
 - (5) Average days in sales = 365/Inventory turnover.
 - (6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment
 - (7) Total asset turnover = Net sales/Average total assets.
4. Profitability
- (1) Return on assets = (net income + interest expenses * (1 - tax rate)) / average total assets.
 - (2) Return on equity = Profit or loss after tax/Average total equity.
 - (3) Profit margin = Profit or loss after tax/Net sales.
 - (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 3)
5. Cash flows
- (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital). (Note 4)
6. Leverage:
- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 5).
 - (2) Financial leverage = operating income / (operating income – interest expenses).

Note 3: Special attention should be paid to the following when calculating earnings per share by the equation in the preceding paragraph:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any follow-on offering or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semiannual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 4: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 5: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 6: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

Audit Committee Review Report

The Board of Directors has prepared and submitted the Company's 2023 Business Report, Financial Statements, and Deficit Compensation Proposal, of which the Financial Statements were audited by CPAs from Deloitte Taiwan, who have also furnished an independent auditors' report. The Audit Committee reviewed the said Business Report, financial statements, and deficit compensation proposal, and did not find any non-conformity. Therefore, those documents are submitted for your approval according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act,

To

Mosa Industrial Corp. 2024 General Shareholders' Meetings

Mosa Industrial Corp.

Convener of the Audit Committee:

May 12, 2024

- IV. The latest annual financial report: Please refer to Appendix I of this annual report.
- V. For the parent company only financial report audited and certified by CPAs in the most recent year: Please refer to Appendix II of this annual report.
- VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

Seven. Review and Analysis of the Financial Position and Financial Performance, and Risks

I. Financial position (consolidated statement)

Unit: NT\$ Thousand

Item \ Year	2022	2023	Difference	
			amount	%
Current asset	1,800,130	1,778,229	-21,901	-1.22
Property, plant and equipment	4,787,635	4,561,077	-226,558	-4.73
right-of-use asset	1,059,629	1,036,552	-23,077	-2.18
Intangible assets	4,446	3,948	-498	-11.20
Other assets	259,042	202,047	-56,995	-22.00
Total assets	7,910,882	7,581,853	-329,029	-4.16
Current liabilities	1,314,901	668,098	-646,803	-49.19
non-current liabilities	2,303,545	2,601,355	297,810	12.93
Total liabilities	3,618,446	3,269,453	-348,993	-9.64
Share capital	1,827,883	2,027,883	200,000	10.94
Additional paid-in capital	1,854,680	2,086,402	231,722	12.49
Retained earnings	614,374	202,754	-411,620	-67.00
Other equity	(4,501)	(4,639)	-138	3.07
Total equity	4,292,436	4,312,400	19,964	0.47
Reason for the change: (for the change that is more than 20% and more than NT\$10 million): Decrease in other assets: due to prepayment for equipment acceptance transferred to equipment. Decrease in current liabilities: due to the issuance of corporate bonds to repay short-term bank loans. Decrease in retained earnings: due to net loss after tax in 2023 arising from decreased shipments.				

II. Financial Performance (Consolidated Statements)

(I) Comparative profit and loss statement for the last two years

Unit: NT\$ Thousand

Item \ Year	2022	2023	Increase (Decrease)	Percentage Change (%)
Operating revenue	1,891,491	1,304,718	-586,773	-31.02
Operating cost	1,648,810	1,406,299	-242,511	-14.71
Gross profit	242,681	(101,581)	-344,262	-141.86
Operating expenses	183,771	236,236	52,465	28.55
Net operating income	58,910	(337,817)	-396,727	-673.45
Non-operating income and expenses	(2,788)	(78,596)	-75,808	2,719.08
Net income before tax	56,122	(416,413)	-472,535	-841.98
income tax expense	320	(45,351)	-45,671	-14,272.19
Net profit of the current period	55,802	(371,062)	-426,864	-764.96
Total other comprehensive income for the period	56	(138)	-194	-346.43
Total comprehensive income for this period	55,858	(371,200)	-427,058	-764.54
Reason for the change: (for the change that is more than 20% and more than NT\$10 million):				
1. Operating income, gross operating profit, net operating profit, pre-tax net profit, income tax expenses, net profit for the current period, and total comprehensive income for the current period: Due to the decrease in the shipment volume and average unit price of high-pressure chargers and inflators in 2023 compared to 2022.				
2. Non-operating income and expense: Due to the decrease in foreign exchange gains and the increase in losses from disposal of equipment in 2023.				

(II) a sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response.

The expected volume of sales of the Company is estimated on the basis of its business plan and forecast of the market demand, the competition situation in the industry, and the assessment of business prospects of major clients. The Company will invest in the improvement of technology, improve the quality of its products, increase the coverage of its customers, and expand its share of the market.

III. Cash flow

(I) Analysis of cash flow changes in the most recent year

Unit: NT\$ Thousand

Item \ Year	2023	Analysis
Net cash provided by operating activities	282,274	Mainly due to the decrease in profit in 2023, causing the cash inflow from operating activities to decrease compared with last year.
Net cash used in investing activities	(167,506)	Mainly the expenditure on purchase of equipment.
Net cash provided in financing activities	245,554	Mainly due to cash capital increase and issuance of corporate bonds.

(II) Improvement plan for insufficient liquidity: The Company has not had a lack of cash flow in recent years.

(III) Cash liquidity analysis (parent company only statements) for the next year (2024)

Unit: NT\$ Thousand

Cash, opening balance (1)	Estimated net cash flows from operating activities (2)	Estimated net cash flows from investing activities (3)	Estimated net cash flows from financing activities (4)	Cash surplus (deficiency) amount (1)+ (2)+(3)+(4)	Remedy for estimated cash shortfalls	
					Investment plan	Financial plan
933,674	118,009	(16,610)	(112,983)	922,090	—	—
1. Analysis of cash flow changes for the coming year: Operating activities: Mainly due to operating activities . Investing activities: Mainly due to expenses on replacement of equipment. Financing activities: Mainly due to repayment of bank loans. 2. Remedy measures for expected insufficient cash flows, and liquidity analysis: Not applicable.						

Major capital expenditure of the Company in the most recent year

IV. Effect of major capital expenditures on finance and business matters in the most recent year: None.

V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the coming year

(I) The Company's reinvestment policy

The Company's management team makes indirect investment based on factors such as operational growth needs or diversified operations. It carries out an detailed assessment of investees for organization type, investment purpose, location, market conditions, business development, shareholding ratio, reference price, and financial status. The assessment results are incorporated into recommendations for investment analysis to provide a basis for decision-makers make investment decisions. In addition, it keeps a close eye on the operation of investees and evaluates its performance in the investees. This is to provide the management team and decision-makers with the opportunity to evaluate post-investment management.

(II). The main reasons for profit or loss in the most recent year, improvement plan, and investment plan for the coming year

Unit: NT\$1,000 and thousands of foreign currencies

Investees	Percentage of shares held	Investment profit or loss in 2023	Main reasons for profit or loss	Remedial plan	Investment plans for the coming year
Mosa Safety System Corp.	100%	(58,734)	Due to decline shipment volume and average unit price	Continue to expand the business to	None

			arising from market competition.	improve the operating status.	
YUAN LIN INVESTMENT CO.,LTD	100%	(7,614)	Due to recognizing losses from investments in affiliated companies.	-	None
Yuan Lin Precision Metal Products (Shanghai) Co., Ltd.	100%	(7,326) (USD235)	Due to decline shipment volume and average unit price arising from market competition.	-	None
Maoqiang Technology Co., Ltd.	25%	(630)	Still in the developmental stage, operations have not reached scale.	Develop corporate expansion tactics to optimize operations.	None

VI. Analysis and assessment of risks in the most recent year and in the current year up to the publication date of the annual report

- (I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

1. Interest rate

Unit: In NT\$ thousand; %		
Item\Year	2022	2023
Interest Income	1,102	4,992
Interest expenses	44,189	54,896
Net operating revenue	1,891,491	1,304,718
(Interest Expenses - Interest Income)/Net Operating Income (%)	2.28%	3.82%

Source: Financial report audited and certified by CPAs

The net interest income and expenses balance of the Company in 2022 and 2023 accounted for 2.28% and 3.82%, respectively, of the net operating income of the respective period. The increase in interest expenses in 2023 was mainly due to the rise in interest rates, the war between Russia and Ukraine, and high inflation in Europe and the United States, contracting consumer spending and leading to a decline in operating income, thereby resulting in an increase in the ratio of net interest income and expenditure balance to net operating income of the respective period ; The financing interest on the Company's borrowing from financial institutions for working capitals has not had a major impact despite fluctuation of market interest rate. The Company maintain a close relationship with the Bank on regular occasions and continues the monitoring of interest rate changes in the market on the basis of the stable and prudent financial foundation. It completed a follow-on offering and Domestic Unsecured Convertible Corporate Bonds for NT\$950 million, in order to reduce the effect of interest rate changes on the Company's profit or loss.

2. Exchange rate

Unit: In NT\$ thousand; %		
Item\Year	2022	2023
Net exchange (loss) gain	30,614	(5,480)
Net operating revenue	1,891,491	1,304,718
Net exchange (loss) loss/net operating income (%)	1.62%	-0.42%

Source: Financial report audited and certified by CPAs

The Company had an exchange gain of NT\$30,614 thousand in 2022 and an exchange loss of NT\$5,480 thousand in 2023, accounting for 1.62% and (0.42%), respectively, of the net operating income of the respective period. The Company's purchases are mainly denominated in TWD and sales in USD, EUR, or CNY. Therefore, changes in the exchange rate of TWD against USD, EUR, or CNY will have certain impact. The Company maintain a foreign currency asset in a amount sufficient to satisfy foreign currency demand, and continuously monitors the global macro economic situation and exchange rates, in order to take appropriate hedging measures to reduce the risks of the fluctuations in

exchange rates.

3. Inflation

Over the past few years, inflation has been an issue in both domestic and international markets. Inflationary pressures resulted in a relative change in the cost of the product, the price of the product, and the demand of the market. To counterbalance the adverse consequences of high inflation, the company is ceaselessly working to slash multiple expenses to bolster its competitive edge; it also strives to improve product quality and value, closely attends to changes in market demand and raw materials price, and, when necessary, appropriate planning for the timing of procurement and safety stock levels to cushion the impact of inflation on operations.

- (II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.
 - 1. In the most recent year and in the current year up to the publication date of the annual report, the Company has focused on its business operations, and has not engaged in high-risk, high-leverage investments, or derivative trading.
 - 2. In the most recent year and in the current year up to the publication date of the annual report, the Company provided endorsement and guarantee for a credit line taken out by a subsidiary from a bank; in addition, subsidiaries loaned of funds to one another for purpose of obtaining working capital. Except for that, the Company and subsidiaries did not provide or receive endorsement or guarantee or loaning of funds to/from other companies. The Company and its subsidiaries loan funds and provide endorsements by the "Procedures for Making Endorsements and Guarantees" and "Procedures for Extending Loans to Others", and therefore did not cause any significant impact on the profit or loss of the financial statements.
- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work

1. Future R&D plans

The Company is actively seeking and recruiting top-tier R&D talent. The Company is committed not only to improving product quality to meet the requirements of international laws and regulations and obtaining certification, but also enhancing product design and development capabilities and improving process and quality. Future research and development plans include developing new products designed for use in the food industry, leisure industry, and beauty and hair care sector. This also encompasses temperature control products, various types of automotive safety airbags, and gas generators for wearable protective gear. These endeavors aim to meet customer needs, enhance product value, and boost company competitiveness.

2. Estimated research and development expenses

The research and development expenses invested in 2023 totaled NT\$47,217 thousand, accounting for 3.62% of operating income. The estimated research and development expenses in 2024 were about NT\$45,000 thousand.

- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

The Company and its subsidiaries conduct business by law. As of the publication date of the annual report, the Company and subsidiaries did not experience any important domestic and foreign policy and legal changes that affect their finances and business. In the future the Company will always attend to the developments in domestic and international policy and the changes in the regulatory system, consult the relevant professionals, and collect the relevant information in order to make a decision at the level of the management. This allows the Company to adapt to the changing market environment and to adapt its relevant operational strategies in time.

- (V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

The Company and its subsidiaries continue their efforts to keep an eye on the technological developments and the evolution of the industry where we are situated, and to understand the trends in the industry. By continuously upgrading our research and development capacities, capitalizing on market openings, and proactively introducing new products and customers, we are able to secure our market competitiveness. In addition, in the light of the frequent cyber-attacks and the recent ransom-

ware incidents, we are particularly concerned about the protection and control of the risks associated with information security. In addition to purchasing new information security equipment every year to enhance the Company's information security, we also regularly review our information security policy. By holding awareness sessions for employees, we are able to improve their awareness of information security. Therefore, as of the publication date of the annual report, there have been no major technological and industrial changes that have a major impact on the Company's financial or business affairs.

- (VI) Effect of changes in corporate image on corporate crisis management, and measures to be taken in response

Since its inception, the Company has adhered to a sustainable management concept; it actively improves the internal management, continuously enhances the management of the operation and the quality of the product service, and ensures that the best customer service is provided in time. Every worker puts in their utmost effort in order to achieve the planned profits, thereby meeting their obligations to all investors. In the future, the Company and its subsidiaries will continue to work with its subsidiaries to improve the quality of its products and services, maintain the consistent good image of the company, and strengthen our position within the industry. The Company takes proactive steps to manage crises and address different irregularities to reduce potential hazards. As of the publication date of the annual report, the Company did not experience any change in corporate image that has resulted in a corporate crisis.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

In the most recent year and in the current year up to the publication date of this annual report, the Company did not have any plan of merger and acquisition of other companies. Should needs arise in the future, we will carefully evaluate the merger benefits to ensure the interests of shareholders.

- (VIII) Expected benefits and possible risks associated with any expansion of plants, and mitigation measures being or to be taken:

In the most recent year and in the current year up to the publication date of this annual report, the Company did not expand its plant.

- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

1. Concentrated purchase

The cold rolled steel sheets required for production are purchased from China Steel Corporation centrally; this is due in part to the nature of the sector and the market demand and supply conditions of the market. The Company keeps an appropriate safety stock of cold-rolled steel sheets to cope with rainy days. The Company has more than two qualified suppliers of raw materials, except for cold rolled steel sheets. The majority of the key vendors are long-term, mutually beneficial, and interdependent alliances. We build mutual trust and reap mutual benefits to ensure a steady stream of product supply. Therefore, although the Company is exposed to the risk of excessively concentrated purchase, it has formulated appropriate and feasible measures, which would be effective in reducing the risk associated with the concentration of material supplies.

2. Concentration of sales

In 2022 and 2023, the ratio of the sales amount to the largest sales customer to the net operating income exceeds 20%, so the Company was exposed to the risk of excessive concentration of sales. The Company maintains a good interaction with the largest sales customer; besides, by leveraging its stable product quality, accurate and flexible delivery, and comprehensive services, it helps the customer in expanding the market, in the hope of further stabilizing the cooperation between the parties and the development of new products and services. With the Company gaining market share in the future, its dependence on a single customer should be effectively reduced, and the risk of sales concentration can be avoided.

- (X). Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

The Company does not have a major shareholder holding more than 10% of the shares. In the

most recent year and in the current year up to the publication date of the annual report, there has been no substantial transfer or replacement of shares by the Company's directors.

- (XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken

The Company's managerial level is secure. In the most recent year and in the current year up to the publication date of the annual report, there has been no change in management rights.

- (XII) Litigious and non-litigious matters.

1. In 2023 and as of the date of publication of the annual report, disputes of the company have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

On November 30, 2016 and October 20, 2020, the Company and Company A signed the "Liquid Nitrous Oxide Gas Purchase and Sales Contract" and "Supplementary Agreement to the Liquid Nitrous Oxide Gas Purchase and Sales Contract (1)" (hereinafter referred to as "Supplementary Agreement (1)"), respectively. According to Article 4 of the Supplementary Agreement (1), if the cost of ammonium nitrate changes, the two parties may negotiate a new price; the original price shall apply before any negotiation results are yielded. Thereafter, additional payments or refunds shall be made based on the new negotiated price. Since the two parties could not reach an agreement on a new price, Company A arbitrarily suspended the supply of materials, and refused to perform its obligations even after receiving a notice from the Company urging it to do so. Therefore, the Company suspended the contract between both parties in June 2022 and requested Company A to have a negotiation on the damages arising from suspension of materials supply and termination of contract. However, Company A contended that the contract is still valid, and filed an arbitration request after the failure of negotiation. After receiving the arbitration claim referred to above, the Company has appointed an attorney to deal with it. Both parties reached a settlement on June 14, 2023. The terms of the settlement agreement are not adverse to the Company, and the case is not expected to have a significant impact on the Company's financial and commercial affairs.

2. In 2023 and as of the date of publication of the annual report, disputes of any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company or companies controlled by the company, have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

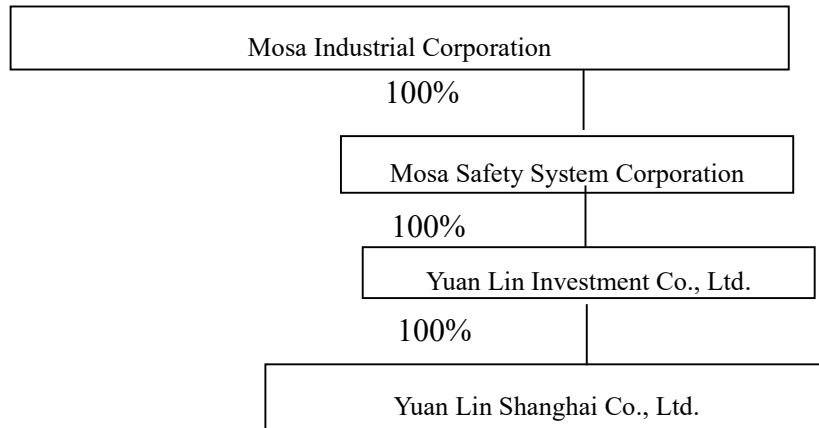
- (XIII) Other important risks, and mitigation measures being or to be taken: None.

VII. Other important matters: None.

Eight. Special notes

I. Information on affiliates:

(I) Organizational chart of affiliates



(II) Basic information on each affiliate

December 31, 2023

Company	Date of incorporation	Address	Paid-in capital	Main business or item produced
Mosa Safety System Corporation	2019.4.26	No. 18, Kehu 3rd Road, Huwei Town, Yunlin County	NTD 685,000,000	Research, design, development, manufacture, and sales of automotive airbag inflators and other metal products
Yuan Lin Investment Co., Ltd	2011.11.2	Suite 309, Capital City Building, Independence Avenue, Victoria Mahe, Republic of Seychelles	USD 1,000,000	Investment company
Yuan Lin Shanghai Co., Ltd	2012.3.1	Room 15, 1st Floor, Building 2, No. 158, Guiqiao Road, Jinqiao Export Processing Zone, Pudong New Area, Shanghai	USD 1,000,000	Wholesale and import and export of precision metal products, airbags, and related parts

(III). Information on the same shareholder of associates presumed to have a relationship of control or subordination: None.

(IV). Business sectors covered by affiliates as a whole:

The main business items of the Company and its affiliated companies are the design, manufacture, processing, trading and investment of cream whippers, high-pressure chargers, inflators, and other metal products.

(V) Names of directors, supervisors, and general managers of each affiliated enterprise and their shareholding or capital contribution to the enterprise

December 31, 2023

Affiliate	Title	Name or representative	Shareholding	
			Number of shares	Shareholding
Mosa Safety System Corporation	Chairman	Mosa Industrial Corporation Representative: The-Hsin Wang	68,500,000 股	100%
	Director	Mosa Industrial Corporation Representative: Yu -Ying Wang		
	Director	Mosa Industrial Corporation Representative: Chia- Jung Lin		
	Supervisor	Mosa Industrial Corporation Representative: Hui-Ping Chuang		
Yuan Lin Investment Co., Ltd.	Chairman	The-Hsin Wang	1,000,000 股	100%
Yuan Lin Shanghai Co., Ltd.	Executive Director Supervisor	The-Hsin Wang Hung-Yi Chou	(Note)	100%

Note: Not applicable, because it's a limited company without any outstanding shares.

(VI) Overview of the operations of affiliates

December 31, 2023; NT\$: thousand

Company	Registered capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	After-tax (loss) gain	Earnings per share (NT\$) (after tax)
Mosa Safety System Corporation	685,000	1,514,422	256,645	1,257,777	526,176	(23,913)	(58,609)	(0.86)
Yuan Lin Investment Co., Ltd.	29,527	6,426	-	6,426	-	-	(7,326)	(2.48)
Yuan Lin Shanghai Co., Ltd.	29,527	389,462	383,035	6,427	514,550	(7,314)	(7,326)	N/A

Note: The exchange rate against which the balance sheet is converted is as follows: US\$1 = NT\$ 30.705, CNY1 = NT\$ 4.327

Note: The exchange rate against which the income statement is converted is as follows: US\$1 = NT\$ 31.155, CNY1 = NT\$4.396

(VII) Consolidated Financial Statements of Affiliated Enterprises: Please see Appendix I of this annual report.

(VIII) Affiliation report: None.

II. Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report: None.

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: None.

IV. Other matters that require additional explanation: None.

Nine. Whether any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

Appendix I.

Consolidated Financial Statements for
2023 and Independent Auditors' Report

Mosa Industrial Corp. and
Subsidiaries

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§

	<u>Item</u>	<u>Page</u>	<u>Financial Statement Note No.</u>
I.	Cover	1	-
II.	Table of Contents	2	-
III.	Declaration for Consolidated Financial Statements of Affiliates	3	-
IV.	Independent Auditors' Report	4~7	-
V.	Consolidated Statement of Balance Sheet	8	-
VI.	Consolidated Statement of Comprehensive Income	9~10	-
VII.	Consolidated Statement of Changes in Equity	11	-
VIII.	Consolidated Statement of Cash Flows	12~13	-
IX.	Notes to Consolidated Financial Statements		
	(I) Company Profile	14	1
	(II) Date and Procedure for Approval of Financial Statements	14	2
	(III) Application of Newly Issued and Amended Standards and Interpretations	14~15	3
	(IV) Summary of Significant Accounting Policies	15~27	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	27
	(VIII) Assets Pledged as Collateral	48	28
	(IX) Significant Contingent Liabilities and Unrecognized Contractual Commitments	48	29
	(X) Significant Losses to Disasters	-	-
	(XI) Significant Post-Term Events	-	-
	(XII) Information on Financial Assets and Liabilities Denominated in Foreign Currencies with Significant Influence	49	XXX
	(XIII) Additional Disclosures		
	1. Information on Major Transactions	49~50	XXXI
	2. Information on Investee Companies	49~50	XXXI
	3. Information on Investments in Mainland China	50	XXXI
	4. Information on Major Shareholders	50	XXXI
(XIV)	Segment Information	51~52	XXXII

Declaration for Consolidated Financial Statements of Affiliates

The entities that are required to be included in the 2023 consolidated financial statements of the Company (from January 1 2023, to December 31, 2023), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, a separate set of combined financial statements will not be prepared.

Declared as above

Company name: Mosa Industrial Corp.

Person in charge: Wang Te-Hsin

March 12, 2024

Independent Auditors' Report

To: Mosa Industrial Corp.

Audit opinion

We have reviewed the accompanying consolidated balance sheets of Mosa Industrial Corp. (the "Company") and its subsidiaries (collectively, the "Group") for the years ended December 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)".

In our opinion, the accompanying consolidated financial statements were prepared, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations endorsed and effected issued into effect by the Financial Supervisory Commission, for a fair presentation of Mosa Industrial Group's consolidated financial position as of December 31, 2023 and 2022 and consolidated financial performance and consolidated cash flows from January 1 to December 31, 2023 and 2022, respectively.

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 Consolidated 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 consolidated financial statements of Mosa Industrial Group. These matters were addressed in our audit of the consolidated 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 consolidated financial statements of the Group for the year 2023, are stated as follows:

Operating revenue

The revenue sources of Mosa Industrial Group are the consumer goods sector and the industrial product sector. The sales revenue of some of the important customers has increased significantly compared to the previous year, 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.

Other Matters

We have issued an auditor's report with an unqualified opinion on the 2023 and 2022 parent company only financial statements prepared by Mosa Industrial Corporation.

Responsibilities of the management and the governing body for the consolidated financial statements

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS and IAS, as well as IFRIC and SIC interpretations endorsed and entered into effect by the FSC, 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 consolidated financial statements, management is also responsible for assessing Mosa Industrial Group'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 Group or to cease operations or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group no longer able to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

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 Group's 2023 consolidated 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

The Financial Supervisory Commission R.O.C.
Approved 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. and Subsidiaries
Consolidated Statement of Balance Sheet
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ Thousand

Code	Asset	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash (Notes 4 and 6)	\$ 933,674	12	\$ 573,915	7
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)	210,293	3	297,467	4
1170	Accounts receivable - non-related parties (Notes 4, 8 and 20)	158,828	2	386,580	5
1200	Other receivables (Note 4)	14,815	-	17,605	-
1220	Current tax assets (Note 4 and 22)	85	-	44	-
130X	Inventories (Notes 4 and 9)	391,738	5	430,727	6
1410	Pre-payments	56,111	1	63,481	1
1476	Other financial assets — current (Notes 4, 6 and 28)	-	-	9,000	-
1479	Other current assets	12,140	-	21,311	-
11XX	Total current assets	<u>1,778,229</u>	<u>23</u>	<u>1,800,130</u>	<u>23</u>
	Non-current assets				
1550	Investment under the equity method (Notes 4 and 11)	688	-	1,318	-
1600	Property, plant and equipment (Notes 4, 12 and 28)	4,561,077	60	4,787,635	61
1755	Right-of-use assets (Note 4 and 13)	1,036,552	14	1,059,629	13
1780	Intangible assets (Note 4 and 14)	3,948	-	4,446	-
1840	Deferred tax assets (Note 4 and 22)	40,603	1	14,986	-
1915	Pre-payments for equipment	147,156	2	236,612	3
1920	Guarantee deposits paid	13,600	-	6,126	-
15XX	Total non-current assets	<u>5,803,624</u>	<u>77</u>	<u>6,110,752</u>	<u>77</u>
1XXX	Total assets	<u>\$ 7,581,853</u>	<u>100</u>	<u>\$ 7,910,882</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term bank loans (Note 15)	\$ 295,296	4	\$ 620,277	8
2110	Short-term bill payable (Note 15)	-	-	79,838	1
2130	Contract liabilities - Current (Notes 4 and 20)	8,654	-	15,275	-
2150	Note payable - non related parties	1,709	-	9,657	-
2170	Accounts payable - non related parties	66,445	1	124,624	2
2200	Other payables (Note 17)	142,532	2	269,906	3
2230	Current tax liabilities (Notes 4 and 22)	18,214	-	48,622	1
2280	Lease liabilities - current (Note 4 and 13)	15,785	-	15,507	-
2320	Current portion of long-term bank loans (Notes 15 and 28)	101,875	2	130,000	2
2399	Other current liabilities	17,588	-	1,195	-
21XX	Total current liabilities	<u>668,098</u>	<u>9</u>	<u>1,314,901</u>	<u>17</u>
	Non-current liabilities				
2530	Bonds payables (Notes 4 and 16)	523,906	7	-	-
2540	Long-term bank loans (Note 15 and 28)	1,016,125	13	1,225,000	15
2570	Deferred tax liabilities (Notes 4 and 22)	-	-	1,435	-
2580	Lease liabilities - non-current (Note 4 and 13)	1,061,314	14	1,077,100	14
2645	Deposits received	10	-	10	-
25XX	Total non-current liabilities	<u>2,601,355</u>	<u>34</u>	<u>2,303,545</u>	<u>29</u>
2XXX	Total liabilities	<u>3,269,453</u>	<u>43</u>	<u>3,618,446</u>	<u>46</u>
	Equity attributable to owners of the company				
3110	Common stock	2,027,883	27	1,827,883	23
3200	Capital surplus	2,086,402	27	1,854,680	23
	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	(4,639)	-	(4,501)	-
3XXX	Total equity	<u>4,312,400</u>	<u>57</u>	<u>4,292,436</u>	<u>54</u>
	Total liabilities and equity	<u>\$ 7,581,853</u>	<u>100</u>	<u>\$ 7,910,882</u>	<u>100</u>

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp. and Subsidiaries
Consolidated Statement of Comprehensive Income
From January 1 to December 31, 2023 and 2022

Unit: In NT\$ thousand; Earnings per share (NT\$)

Code		2023		2022	
		Amount	%	Amount	%
4000	Net operating revenue (Notes 4 and 20)	\$ 1,304,718	100	\$ 1,891,491	100
5000	Operating costs (Notes 9 and 21)	<u>1,406,299</u>	<u>108</u>	<u>1,648,810</u>	<u>87</u>
5900	Gross profit (loss)	(<u>101,581</u>)	(<u>8</u>)	<u>242,681</u>	<u>13</u>
	Operating expenses (Note 21)				
6100	Selling expenses	29,162	2	37,714	2
6200	General and administrative expenses	100,390	8	96,920	5
6300	R&D expenses	47,217	4	40,121	2
6450	Expected credit impairment losses				
	(Note 8)	<u>59,467</u>	<u>4</u>	<u>9,016</u>	<u>1</u>
6000	Total operating expenses	<u>236,236</u>	<u>18</u>	<u>183,771</u>	<u>10</u>
6900	Net operating income (loss)	(<u>337,817</u>)	(<u>26</u>)	<u>58,910</u>	<u>3</u>
	Non-operating revenues and expenses				
7010	Other revenues (Note 21)	24,280	2	11,111	-
7100	Interest Income	4,992	-	1,102	-
7020	Other gains or losses (Note 21)	(52,342)	(4)	30,370	2
7050	Financial costs (Note 21)	(54,896)	(4)	(44,189)	(2)
7060	Share of profit or loss of associates accounted for using equity method	(<u>630</u>)	<u>-</u>	(<u>1,182</u>)	<u>-</u>
7000	Total non-operating income and expenses	(<u>78,596</u>)	(<u>6</u>)	(<u>2,788</u>)	<u>-</u>
7900	Pretax profit (loss)	(416,413)	(32)	56,122	3
7950	Income tax expense (gain) (Notes 4 and 22)	(<u>45,351</u>)	(<u>4</u>)	<u>320</u>	<u>-</u>
8200	Net profit (loss) for the year	(<u>371,062</u>)	(<u>28</u>)	<u>55,802</u>	<u>3</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income				
8360	Items that may subsequently be reclassified to profit or loss				
8361	Exchange differences arising from the translation of financial statements of foreign operations	(\$ 138)	-	\$ 56	-
8500	Total comprehensive income of the current year	(\$ 371,200)	(28)	\$ 55,858	3
	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 consolidated financial statements

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp. and Subsidiaries
Consolidated Statement of Changes in Equity
From January 1 to December 31, 2023 and 2022

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

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

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp. and Subsidiaries
Consolidated Statement of Cash Flows
From January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net income (loss) before tax of the current year	(\$ 416,413)	\$ 56,122
A20010	Income and expenses		
A20100	Depreciation	406,592	397,075
A20200	Amortization expenses	1,057	1,451
A20300	Expected credit impairment losses	59,467	9,016
A20900	Financial costs	54,896	44,189
A21200	Interest Income	(4,992)	(1,102)
A21900	Share-based payments	8,633	-
A22300	Share of profit (loss) on associates and joint ventures using the equity method	630	1,182
A22500	Losses (gains) on disposal of property, plant and equipment	45,385	(43)
A23700	Loss on inventory valuation falling and obsolescence	6,010	18,411
A24100	Net foreign exchange gains	(3,887)	(4,934)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	87,174	(157,302)
A31150	Accounts receivable	171,847	50,919
A31180	Other receivables	2,790	12,416
A31200	Inventories	33,416	(16,492)
A31230	Pre-payments	7,370	(4,002)
A31240	Other current assets	9,171	(2,953)
A32125	contract liability	(6,621)	(2,290)
A32150	Accounts payable	(57,805)	(53,258)
A32180	Other payables	(80,515)	(29,258)
A32230	Other current liabilities	<u>16,393</u>	<u>191</u>
A33000	Cash from operations	340,598	319,338
A33100	Interest received	4,992	1,102
A33300	Interest paid	(51,160)	(43,403)
A33500	Income tax paid	(<u>12,156</u>)	(<u>86,460</u>)
AAAA	Net cash inflows from operating activities	<u>282,274</u>	<u>190,577</u>

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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	(96,023)	(92,665)
B02800	Proceeds from disposal of property, plant and equipment	-	43
B03800	Decrease (increase) in refundable deposits	(7,474)	487
B04500	Acquisition of intangible assets	(561)	(161)
B06500	Decrease (increase) in other financial assets	9,000	(9,000)
B07100	Increase in pre-payments for equipment	(72,448)	(150,476)
BBBB	Net cash outflows from investing activities	(167,506)	(254,272)
	Cash flows from financing activities		
C00100	Increase in short-term bank loans	1,587,483	1,804,784
C00200	Decrease in short-term bank loans	(1,912,464)	(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	358,000	-
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	245,554	(38,522)
DDDD	Effect of exchange rate changes on cash	(563)	446
EEEE	Net increase (decrease) in cash	359,759	(101,771)
E00100	Beginning cash balance	573,915	675,686
E00200	Year-end cash balance	\$ 933,674	\$ 573,915

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp. and Subsidiaries
Notes to Consolidated 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 2019.

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

II. Date and Procedure for Approval of Financial Statements

The consolidated 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 Consolidated Entity.

- (II) IFRSs approved by the FSC applicable in 2024

Issued / Amended / Revised Standards and Interpretations	Effective Date of IASB Issuance (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 consolidated financial report, the Consolidated Entity 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 (N o t e 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 Group 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 consolidated financial report, the Consolidated Entity 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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and issued into effect by the FSC.

(II) Basis of Preparation

The consolidated 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.

(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) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and entities (subsidiaries) controlled by the Company. The financial statements of subsidiaries have been adjusted to conform to the accounting policies of the Consolidated Entity. In preparing the consolidated financial statements, all inter-entity transactions, account balances, gains and losses have been eliminated, and the total consolidated gains and losses of the subsidiaries have been attributed to the Company's owners.

When the change in ownership interest in a subsidiary does not result in a loss of control, it is treated as an equity transaction. The carrying amounts of the consolidated entity and noncontrolling interests have been adjusted to reflect the changes in their relative interests in subsidiaries. The difference between the adjustment amount of the noncontrolling interest and the fair value of the consideration paid or received is recognized directly in equity and is attributed to the Company's owners.

For details of subsidiaries, shareholding ratio and operating items, see Note 10, Schedules 6 and 7.

(V) Foreign Currencies

When each entity prepares financial statements, transactions in currencies other than the individual 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 consolidated 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.

(VI) 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.

(VII) Investment in Affiliated Companies

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

The Consolidated Entity applies the equity method to its investment in affiliated companies. 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 Consolidated Entity'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 Consolidated 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 Consolidated Entity's share of the net fair value of the identifiable assets and liabilities of the affiliated companies over the cost of acquisition is recorded as profit or loss for the period.

If the Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity's net investment in the affiliate). The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity and its affiliates are recognized in the consolidated financial statements only to the extent that they do not relate to the Consolidated Entity's interest in the affiliates.

(VIII) 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 Consolidated Entity 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.

(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 Consolidated Entity 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 and intangible assets

The Consolidated Entity assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets 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 Consolidated Entity 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 consolidated balance sheet when the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Group 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 Group 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 Group 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 Consolidated Entity 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 Consolidated Entity assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Consolidated Entity 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 Consolidated Entity 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 consolidated 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 Consolidated Entity 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 consolidated 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 Consolidated Entity 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 Consolidated Entity.

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 Consolidated Entity 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 Consolidated Entity 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

The Consolidated Entity determines the current income (loss) in accordance with the regulations of each income tax filing jurisdiction and calculates the income tax payable (recoverable) accordingly.

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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity'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 Group 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 Group'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	\$ 1,048	\$ 802
Bank demand deposits	<u>932,626</u>	<u>582,113</u>
	933,674	582,915
Less: Other financial assets - current	<u>-</u>	(<u>9,000</u>)
	<u>\$ 933,674</u>	<u>\$ 573,915</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	\$ 210,293	\$ 297,467
Less: Allowance for losses	<u>-</u>	<u>-</u>
	<u>\$ 210,293</u>	<u>\$ 297,467</u>

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts receivable - non related parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 234,009	\$ 402,295
Less: Allowance for losses	(<u>75,181</u>)	(<u>15,715</u>)
	<u>\$ 158,828</u>	<u>\$ 386,580</u>

(I) Notes receivable

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not overdue	\$ 210,293	\$ 297,467
Overdue	<u>-</u>	<u>-</u>
	<u>\$ 210,293</u>	<u>\$ 297,467</u>

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

(II) Accounts receivable

The average credit period of the Consolidated Entity for merchandise sales is approximately 30 to 180 days, and the accounts receivable are not interest-bearing. The Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity has been significantly reduced.

The Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity cannot reasonably expect to recover the amount, the Consolidated Entity 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 Consolidated Entity 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%-0.1%	0.3%-20%	20%-60%	100%	
Total carrying amount	\$ 120,157	\$ 37,302	\$ 5,379	\$ 71,171	\$ 234,009
Allowance for losses (expected credit losses over the duration)	(42)	(741)	(3,227)	(71,171)	(75,181)
Amortized cost	<u>\$ 120,115</u>	<u>\$ 36,561</u>	<u>\$ 2,152</u>	<u>\$ -</u>	<u>\$ 158,828</u>
<u>December 31, 2022</u>					
Expected credit loss rate	0.01%-0.1%	0.3%-20%	20%-60%	100%	
Total carrying amount	\$ 179,155	\$ 135,772	\$ 82,959	\$ 4,409	\$ 402,295
Allowance for losses (expected credit losses over the duration)	(99)	(2,748)	(8,459)	(4,409)	(15,715)
Amortized cost	<u>\$ 179,056</u>	<u>\$ 133,024</u>	<u>\$ 74,500</u>	<u>\$ -</u>	<u>\$ 386,580</u>

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

	2023	2022
Balance at the beginning of the year	\$ 15,715	\$ 6,699
Impairment loss recognized for the year	59,467	9,016
Foreign currency exchange differences	(1)	-
Balance at the end of the year	<u>\$ 75,181</u>	<u>\$ 15,715</u>

IX. Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 160,560	\$ 130,077
Work in process	91,983	100,772
Raw materials	<u>139,195</u>	<u>199,878</u>
	<u>\$ 391,738</u>	<u>\$ 430,727</u>

Costs of goods sold are as follows:

	2023	2022
Cost of inventories sold	\$ 1,287,814	\$ 1,558,266
Loss on inventory valuation falling and obsolescence	6,010	18,411
Unallocated manufacturing costs	<u>112,475</u>	<u>72,133</u>
	<u>\$ 1,406,299</u>	<u>\$ 1,648,810</u>

X. Subsidiaries

The principal elements of the consolidated financial statements are as follows:

Name of investing company	Name of subsidiary	Percentage of shareholding (%)	
		December 31, 2023	December 31, 2022
The Company	Mosa Safety System Corp. (Mosa)	100	100
Mosa	YUAN LIN INVESTMENT CO., LTD.	100	100
YUAN LIN INVESTMENT CO., LTD.	Yuan Lin Precision Metal Products (Shanghai) Co., Ltd. (Mosa Shanghai)	100	100

The financial statements of the above subsidiaries have been audited by the CPAs.

For the nature of business of the above subsidiaries, their principal places of business and the nations of registration of the companies, refer to Schedules 6 and 7.

XI. Investments accounted for using the equity method

Investment in Affiliated Companies

	December 31, 2023	December 31, 2022
Individually insignificant affiliates	\$ 688	\$ 1,318

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 subsidiaries, their principal places of business and the nations of registration of the companies, refer to Schedule 6.

XII. 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	\$ 2,787,361	\$ 4,270,039	\$ 4,634	\$ 39,518	\$ 1,122,168	\$ 8,223,720
Addition	1,670	61,271	-	194	32,888	96,023
Disposal	-	(190,860)	-	-	(1,497)	(192,357)
Reclassification	7,082	65,009	-	-	34,233	106,324
Net exchange differences	-	-	-	(14)	-	(14)
Balance at the end of the year	\$ 2,796,113	\$ 4,205,459	\$ 4,634	\$ 39,698	\$ 1,187,792	\$ 8,233,696
<u>Accumulated depreciation</u>						
Balance at the beginning of the year	\$ 536,021	\$ 2,174,982	\$ 3,720	\$ 22,399	\$ 698,963	\$ 3,436,085
Depreciation	56,366	248,141	398	2,184	76,426	383,515
Disposal	-	(145,475)	-	-	(1,497)	(146,972)
Reclassification	-	1,260	-	-	(1,260)	-
Net exchange differences	-	-	-	(9)	-	(9)
Balance at the end of the year	\$ 592,387	\$ 2,278,908	\$ 4,118	\$ 24,574	\$ 772,632	\$ 3,672,619
Net amount at the end of the year	\$ 2,203,726	\$ 1,926,551	\$ 516	\$ 15,124	\$ 415,160	\$ 4,561,077

2022	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Balance at the beginning of the year	\$ 2,787,191	\$ 4,088,968	\$ 6,855	\$ 38,943	\$ 1,032,238	\$ 7,954,195
Addition	170	49,121	-	570	42,804	92,665
Disposal	-	-	(2,221)	-	-	(2,221)
Reclassification	-	131,950	-	-	47,126	179,076
Net exchange differences	-	-	-	5	-	5
Balance at the end of the year	<u>\$ 2,787,361</u>	<u>\$ 4,270,039</u>	<u>\$ 4,634</u>	<u>\$ 39,518</u>	<u>\$ 1,122,168</u>	<u>\$ 8,223,720</u>
<u>Accumulated depreciation</u>						
Balance at the beginning of the year	\$ 479,884	\$ 1,932,259	\$ 5,521	\$ 19,734	\$ 626,905	\$ 3,064,303
Depreciation	56,137	242,723	420	2,660	72,058	373,998
Disposal	-	-	(2,221)	-	-	(2,221)
Reclassification	-	-	-	-	-	-
Net exchange differences	-	-	-	5	-	5
Balance at the end of the year	<u>\$ 536,021</u>	<u>\$ 2,174,982</u>	<u>\$ 3,720</u>	<u>\$ 22,399</u>	<u>\$ 698,963</u>	<u>\$ 3,436,085</u>
Net amount at the end of the year	<u>\$ 2,251,340</u>	<u>\$ 2,095,057</u>	<u>\$ 914</u>	<u>\$ 17,119</u>	<u>\$ 423,205</u>	<u>\$ 4,787,635</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 15 years
Other equipment	2 to 20 years

For the amount of property, plant and equipment pledged as collaterals for loans, see Note 28.

XIII. 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	\$ 15,785	\$ 15,507
Non-current	\$ 1,061,314	\$ 1,077,100

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

(IV) Other lease information

	2023	2022
Short-term lease payments	\$ 1,520	\$ 1,895
Low-value asset lease payments	\$ 280	\$ 282
Total cash outflow from leases	\$ 36,625	\$ 37,001

The Consolidated Entity has chosen to apply the exemption from recognition to certain leases of office equipment that qualify as short-term leases, transportation equipment and certain leases of office equipment that qualify as low-value asset leases by not recognizing the related right-of-use assets and lease liabilities for these leases.

XIV. Intangible Assets

	Trademark Rights	Patents	Computer Software	Total
<u>Cost</u>				
Balance at the beginning of the year	\$ 3,866	\$ 2,570	\$ 8,335	\$ 14,771
Individually acquired	26	136	399	561
Net exchange differences	-	-	(8)	(8)
Balance at the end of the year	3,892	2,706	8,726	15,324
<u>Accumulated Amortization</u>				
Balance at the beginning of the year	2,172	1,291	6,862	10,325
Amortization expenses	337	108	612	1,057
Net exchange differences	-	-	(6)	(6)
Balance at the end of the year	2,509	1,399	7,468	11,376
Net amount at the end of the year	\$ 1,383	\$ 1,307	\$ 1,258	\$ 3,948

2022	Trademark Rights	Patents	Computer Software	Total
<u>Cost</u>				
Balance at the beginning of the year	\$ 3,866	\$ 2,570	\$ 8,168	\$ 14,604
Individually acquired	-	-	161	161
Net exchange differences	-	-	6	6
Balance at the end of the year	<u>3,866</u>	<u>2,570</u>	<u>8,335</u>	<u>14,771</u>
<u>Accumulated Amortization</u>				
Balance at the beginning of the year	1,805	1,175	5,889	8,869
Amortization expenses	367	116	968	1,451
Net exchange differences	-	-	5	5
Balance at the end of the year	<u>2,172</u>	<u>1,291</u>	<u>6,862</u>	<u>10,325</u>
Net amount at the end of the year	<u>\$ 1,694</u>	<u>\$ 1,279</u>	<u>\$ 1,473</u>	<u>\$ 4,446</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 8 years

XV. Borrowings

(I) Short-term bank loans

	December 31, 2023	December 31, 2022
<u>Unsecured Borrowing</u>		
Credit borrowing	\$ 230,000	\$ 530,000
Letter of credit borrowing	<u>65,296</u>	<u>90,277</u>
	<u>\$ 295,296</u>	<u>\$ 620,277</u>
<u>Annual interest rate (%)</u>		
Credit borrowing	1.780-2.225	1.450-1.89
Letter of credit borrowing	1.800-2.225	1.460-1.945

(II) Short-term bills payable

	December 31, 2023	December 31, 2022
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>		
	-	1.89-1.94

(III) Long-term bank loans

	December 31, 2023	December 31, 2022
Guaranteed borrowing - due between March 2026 and November 2032	\$ 1,048,000	\$ 1,295,000
Credit borrowing - due in July 2028	<u>70,000</u>	<u>60,000</u>
	1,118,000	1,355,000
Less: parts recognized as due within 1 year	(<u>101,875</u>)	(<u>130,000</u>)
	<u>\$ 1,016,125</u>	<u>\$ 1,225,000</u>
Annual interest rate (%)	2.003-2.203	1.75-1.95

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 plants and buildings of the Consolidated Entity; see Note 28.

XVI. Bonds payable

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

The Group 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 Group'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 Group'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 Group may redeem the bonds in cash based on the face value.

The Group's bond redemption 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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries and bonuses payable	\$ 31,806	\$ 41,098
Payables for equipment and construction	16,574	64,598
Compensation payable to employees and directors	12,805	19,062
Processing fees payable	12,491	31,785
Others	<u>68,856</u>	<u>113,363</u>
	<u>\$ 142,532</u>	<u>\$ 269,906</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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized number of shares (in thousands)	<u>250,000</u>	<u>250,000</u>
Authorized share capital	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<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	<u>24,089</u>	<u>-</u>
	<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

	2023	2022
Revenue from sale of goods	\$ <u>1,304,718</u>	\$ <u>1,891,491</u>

(I) Remaining balance of contract

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and accounts receivable	\$ <u>369,121</u>	\$ <u>684,047</u>	\$ <u>581,145</u>
Contract liabilities - Current			
Product sales	\$ <u>8,654</u>	\$ <u>15,275</u>	\$ <u>17,565</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

	2023	2022
High-pressure gas charger	\$ 670,567	\$ 1,194,379
Inflators	557,715	653,291
Others	<u>76,436</u>	<u>43,821</u>
	\$ <u>1,304,718</u>	\$ <u>1,891,491</u>

XXI. Net income of the current year

(I) Other revenues

	2023	2022
Subsidy revenue	\$ 6,817	\$ 4,056
Rent revenue	1,630	1,131
Others	<u>15,833</u>	<u>5,924</u>
	<u>\$ 24,280</u>	<u>\$ 11,111</u>

(II) Other gains and losses

	2023	2022
Net foreign currency exchange gains (losses)	(\$ 5,480)	\$ 30,614
Gains (losses) on disposal of property, plant and equipment	(45,385)	43
Others	(<u>1,477</u>)	(<u>287</u>)
	(<u>\$ 52,342</u>)	(<u>\$ 30,370</u>)

(III) Financial costs

	2023	2022
Interest on bank loans	\$ 34,584	\$ 26,651
Interest on lease liabilities	19,317	19,591
Interest on bonds	<u>3,168</u>	<u>-</u>
	57,069	46,242
Less: Amount included in cost of qualifying assets	(<u>2,173</u>)	(<u>2,053</u>)
	<u>\$ 54,896</u>	<u>\$ 44,189</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	\$ 383,515	\$ 373,998
Right-of-use assets	23,077	23,077
Intangible Assets	<u>1,057</u>	<u>1,451</u>
	<u>\$ 407,649</u>	<u>\$ 398,526</u>
Depreciation expenses summarized by function		
Operating costs	\$ 381,278	\$ 374,239
Operating expenses	<u>25,314</u>	<u>22,836</u>
	<u>\$ 406,592</u>	<u>\$ 397,075</u>
Amortization expenses summarized by function		
Operating expenses	<u>\$ 1,057</u>	<u>\$ 1,451</u>

(V) Employee Benefit Expenses

	2023	2022
Short-Term Employee Benefits	\$ 243,736	\$ 270,155
Post-Employment Benefits		
Defined contribution plan	<u>8,361</u>	<u>8,795</u>
	<u>\$ 252,097</u>	<u>\$ 278,950</u>
Summarized by function		
Operating costs	\$ 182,018	\$ 203,655
Operating expenses	<u>70,079</u>	<u>75,295</u>
	<u>\$ 252,097</u>	<u>\$ 278,950</u>

(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:

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

If there is any change in the annual consolidated 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 consolidated 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 expense (benefits) are as follows:

	2023	2022
Current income tax		
Incurred during the year	\$ -	\$ 4,247
Additional surtax on undistributed retained earnings	486	2,509
Adjustments for prior years	(18,785)	(4,184)
Deferred income tax		
Incurred during the year	(27,052)	(2,252)
Income tax expense recognized as profit or loss as profit or loss	(\$ 45,351)	\$ 320

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

	2023	2022
Income tax on pretax profit (loss) at statutory rate	(\$ 96,836)	\$ 25,633
Non-deductible expenses for tax purposes	893	674
Tax-exempt income	-	(12,457)
Additional surtax on undistributed retained earnings	486	2,509
Unrecognized deductible temporary differences	321	1,640
Loss carryforward for the current year	-	(13,186)
Credit for investments offset during the year	-	(420)
Adjustments to current income tax expenses in prior years	(18,785)	(4,041)
Unrecognized loss carryforward	68,570	-
Others	-	(32)
Income tax expense recognized as profit or loss	(\$ 45,351)	\$ 320

The income tax rate for the Company and Mosa is 20%; the tax rate applicable to Mosa Shanghai is 25%; and YUAN LIN INVESTMENT CO., LTD. has no local income tax liability.

(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	\$ 6,168	\$ 321	\$ 6,489
Allowance for losses	2,488	12,137	14,625
Unrealized exchange loss	246	1,308	1,554
Loss on investments accounted for using the equity method	2,708	13,287	15,995
Unrealized gross profit on sales	1,875	(1,367)	508
Others	1,501	(69)	1,432
	<u>\$ 14,986</u>	<u>\$ 25,617</u>	<u>\$ 40,603</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gain	<u>\$ 1,435</u>	<u>(\$ 1,435)</u>	<u>\$ -</u>
2022			
<u>Deferred income tax assets</u>			
Temporary differences			
Loss on decline in value of inventories	\$ 4,175	\$ 1,993	\$ 6,168
Allowance for losses	527	1,961	2,488
Unrealized exchange loss	535	(289)	246
Loss on investments accounted for using the equity method	3,985	(1,277)	2,708
Unrealized gross profit on sales	1,260	615	1,875
Others	1,444	57	1,501
	<u>\$ 11,926</u>	<u>\$ 3,060</u>	<u>\$ 14,986</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gain	<u>\$ 627</u>	<u>\$ 808</u>	<u>\$ 1,435</u>

(III) Deductible temporary differences and unused loss carryforwards for deferred income tax assets not recognized in the consolidated balance sheet

As of December 31, 2023 and 2022, the total amount of deductible temporary differences on unrecognized deferred income tax assets was NT\$56,323 thousand and NT\$52,473 thousand, respectively.

As of December 31, 2023 and 2022, the amount of unrecognized loss carryforwards for deferred income tax assets was NT\$402,141 thousand and NT\$62,756 thousand, respectively.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss carryforwards		
Due in 2030	\$ 38,429	\$ 41,000
Due in 2031	21,756	21,756
Due in 2033	<u>341,956</u>	<u>-</u>
	<u>\$ 402,141</u>	<u>\$ 62,756</u>

(IV) Income tax approval status

The income tax returns of the Company for the years ended 2021 and income tax returns of Mosa for the years ended 2020 have been examined by the tax authorities.

XXIII. Earnings (loss) per share

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

The Group incurred a 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 Consolidated Entity 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:

	<u>February 6, 2023</u>
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 Group'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 Consolidated Entity 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 Consolidated Entity remains unchanged.

The capital structure of the Consolidated Entity 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 Consolidated Entity reviews the Group's capital structure on a regular basis, which includes consideration of the cost of various types of capital and related risks. The Consolidated Entity 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)	1,331,210	1,290,693
<u>Financial Liabilities</u>		
Measured at amortized cost (Note 2)	2,147,898	2,459,312

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 Consolidated Entity's major financial instruments include accounts receivable, accounts payable, bank loans, bonds payable and lease liabilities. The Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity is exposed as a result of the Consolidated Entity's operating activities are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates. The Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity engages in foreign currency-denominated sales and purchase transactions, and therefore is exposed to exchange rate fluctuations.

The carrying amounts of the Consolidated Entity's major monetary assets and liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements) are described in Note 30.

Sensitivity Analysis

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

The following table details the sensitivity analysis of the Consolidated Entity 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% appreciation 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	\$ 1,212	\$ 2,038
RMB	880	1,155
EUR	614	1,146

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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	932,626	582,113
Financial Liabilities	1,405,929	1,745,277

Sensitivity Analysis

For the Consolidated Entity's financial assets and liabilities with floating interest rates, if the interest rate changes by 0.25%, the pre-tax income will change by NT\$1,183 thousand and NT\$2,908 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 Consolidated Entity'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 Consolidated Entity is mainly from the carrying amount of financial assets recognized in the Consolidated Balance Sheet.

The Consolidated Entity'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 53% and 52%, respectively.

3. Liquidity risk

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

The Consolidated Entity has established an appropriate liquidity risk management framework to address short-, medium- and long-term fundraising and liquidity management needs. The Consolidated Entity 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 Consolidated Entity could be required to make repayment. Accordingly, bank loans that the Consolidated Entity 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 Consolidated Entity'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	\$ 210,686	\$ 10	\$ -	\$ -	\$ -	\$ -
Lease liabilities	34,825	139,298	174,123	174,123	174,123	867,714
Floating rate instruments	389,804	886,294	129,831	-	-	-
Fixed rate instruments	7,367	523,906	-	-	-	-
	<u>\$ 642,682</u>	<u>\$ 1,549,508</u>	<u>\$ 303,954</u>	<u>\$ 174,123</u>	<u>\$ 174,123</u>	<u>\$ 867,714</u>
<u>December 31, 2022</u>						
Non-interest-bearing liabilities	\$ 404,187	\$ 10	\$ -	\$ -	\$ -	\$ -
Lease liabilities	34,824	139,298	174,123	174,123	174,123	902,539
Floating rate instruments	520,277	925,000	300,000	-	-	-
Fixed rate instruments	309,838	-	-	-	-	-
	<u>\$ 1,269,126</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	\$ 1,413,296	\$ 2,055,115
Amount unused	906,704	699,885
	<u>\$ 2,320,000</u>	<u>\$ 2,755,000</u>

XXVII. Related Party Transactions

All transactions, account balances, revenues and expenses between the Company and its subsidiaries were eliminated upon consolidation and are therefore not disclosed in this note.

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	\$ 2,266,532	\$ 2,210,329
Restricted bank demand deposits (recognized in other financial assets - current)	-	9,000
	<u>\$ 2,266,532</u>	<u>\$ 2,219,329</u>

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

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

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	<u>\$ 11,110</u>	<u>\$ 54,373</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 each of the consolidated companies, 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 currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount
<u>Monetary items</u>						
USD (USD:NTD)	\$ 4,120	30.705	\$ 126,505	\$ 7,361	30.71	\$ 226,056
RMB (RMB:NTD)	21,337	4.327	92,325	29,604	4.408	130,494
EUR (EUR:NTD)	1,935	33.980	65,751	3,620	32.72	118,446
<u>Foreign currency liabilities</u>						
<u>Monetary items</u>						
USD (USD:NTD)	173	30.705	5,312	726	30.71	22,295
RMB (RMB:NTD)	993	4.327	4,297	3,396	4.408	14,970
EUR (EUR:NTD)	128	33.980	4,349	117	32.72	3,828

The Consolidated Entity is primarily exposed to foreign currency exchange rate risk in the US Dollar. The following information is presented in aggregate for the functional currency of the individual holding the foreign currency, and the exchange rates disclosed are the rates at which the functional currency is converted to the presentation currency.

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

Functional currency	2023		2022	
	Exchange rate	Net exchange losses	Exchange rate	Net exchange profits
NTD	1 (NTD:NTD)	<u>\$ 5,522</u>	1 (NTD:NTD)	<u>(\$ 30,562)</u>

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.

8. Accounts receivable from related parties reaching NT\$100 million or 20% of paid-in capital or more: Schedule 4.
 9. Trading in derivative instruments: Note 7.
 10. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Schedule 5.
 11. Information on investee companies: Schedule 6.
- (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 7.
 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: Schedules 3 and 5.
 - (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 8.

XXXII. Segment Information

Information provided to key operational decision makers to allocate resources and measure departmental performance, with an emphasis on operational areas. The reportable segments of the Consolidated Entity are the Consumer segment and the Industrial segment.

(I) Segment Revenues and Operating Results

The revenues and operating results of the Consolidated Entity's business units are analyzed by reportable segment as follows:

	Segment Revenues		Segment Profit or Loss	
	2023	2022	2023	2022
Consumer Products Segment	\$ 742,892	\$ 1,237,215	(\$ 161,760)	\$ 92,566
Industrial Products Segment	<u>561,826</u>	<u>654,276</u>	<u>(30,181)</u>	<u>54,615</u>
Operating units total amount	<u>\$ 1,304,718</u>	<u>\$ 1,891,491</u>	(191,941)	147,181
Headquarters management costs and directors' remuneration			(145,876)	(88,271)
Share of profit or loss of associates accounted for using equity method			(630)	(1,182)
Interest income			4,992	1,102
Gains (losses) on disposal of property, plant and equipment			(45,385)	43
Net foreign currency exchange gains (losses)			(5,480)	30,614
Financial costs			(54,896)	(44,189)
General income and benefits of the Company			24,280	11,111
General expenses and losses of the Company			(<u>1,477</u>)	(<u>287</u>)
Pretax profit (loss)			<u>(\$ 416,413)</u>	<u>\$ 56,122</u>

Segment profit or loss represents the profit earned by each segment, excluding share of head office management costs and directors' remuneration, share of profit or loss of associates accounted for using equity method, interest income, gain (loss) on disposal of property, plant and equipment, net foreign currency exchange gain (loss), finance costs, general income and gains, general expenses and losses, and income tax expense. This measured amount is provided to the chief operating decision maker to allocate resources to departments and to measure their performance.

(II) Region Information

The Consolidated Entity's amount of non-current assets located in a single foreign country is insignificant, and information on revenues from external customers by location is presented below:

	2023	2022
Europe	\$ 56,294	\$ 314,276
America	199,754	268,410
Asia	1,005,800	1,111,344
Others	<u>42,870</u>	<u>197,461</u>
	<u>\$ 1,304,718</u>	<u>\$ 1,891,491</u>

(III) Key Customer Information

Revenues from the Consolidated Entity's customers accounting for 10% or more of net operating revenues are as follows:

Customer Code	2023		2022	
	Amount	%	Amount	%
Company SH001	\$ 469,566	36	\$ 546,320	29
Company 10265	209,463	16	148,953	8
Company 1002-1	189,508	15	120,902	6
Company 10047	150,323	12	157,437	8

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 (Note 1)	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 2)	\$ 503,111 (Note 3)	

Note 1: The consolidated financial statements have been offset.

Note 2: 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 lending limit.

Note 3: 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.	Company Name of Endorser/Guarantor	Subject of Endorsement/Guarantee		Limit of Endorsement and Guarantee for a Single Company (Note 1)	Maximum Endorsement and Guarantee Balance for the Year	Endorsement and Guarantee Balance at the End of the Year	Actual Expenditure Amount	Amount of Endorsement and Guarantee with Property as Collateral	Ratio of Accumulated Endorsement and Guarantee to Net Financial Statements for the Year	Maximum Endorsement and Guarantee (Note 2)	Endorsement and Guarantee from Parent Company to Subsidiary	Endorsement and Guarantee from Subsidiary to Parent Company	Endorsement and Guarantee to Mainland Area	Remark
		Name of Company	Relationship											
0	The Company	Mosa	Subsidiaries	\$ 1,078,100	\$ 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 (Selling)	Name of Counterparty	Relationship	Transaction Status				The Circumstances and Reasons Why the Transaction Conditions are Different from Those of Ordinary Transactions		Notes and Accounts Receivable (Payable)		Remark
			Purchase (Sale)	Amount (Note 2)	Percentage to Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Remaining Balance (Note 2)	Percentage to Total Notes and Accounts Receivable (Payable)	
Mosa	Mosa Shanghai	Subsidiaries	Sale	\$ 471,335	90%	(Note 1)	(Note 1)	(Note 1)	\$ 381,406	97%	

Note 1: 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.

Note 2: The related amounts have been offset.

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 (Note)	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	\$ -

Note: The related amounts have been offset.

Mosa Industrial Corp. and Subsidiaries
Inter-Parent-Subsidiary Business Relationships, Significant Transactions and Offset Transactions
From January 1 to December 31, 2023

Schedule 5

Unit: NT\$ Thousand

No.	Name of Transaction Party	Counterparty	Relationship with the Transaction Party (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Conditions	Percentage to Total Consolidated Revenue or Total Assets
1	Mosa	Mosa Shanghai	1	Accounts receivable - related parties	\$ 381,406	Based on the agreement of both parties	5%
			1	Sales revenue	471,335	Based on the agreement of both parties	36%

Note 1: 1. Represents a parent-to-subsidiary transaction.
2. Represents a subsidiary-to-parent transaction.
3. Represents a subsidiary-to-subsidiary transaction.

Note 2: The consolidated financial statements have been offset.

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

Schedule 6

Unit: NTD and Foreign Currencies in Thousands

Name of investing company	Name of investee company	Location Area	Main Business Items	Original Investment Amount		Year-End Holdings			Profit (Loss) of Investee Company for the Year	Investment Profit (Loss) Recognized for the Year	Remark
				End of The Current Year	End of The Previous Year	Number of Shares	Percentage %	Carrying amount			
The Company Mosa	Mosa (Notes 1 and 2)	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 (Note 3)	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. (Notes 1 and 2)	Seychelles	Investing company	29,527 (USD 1,000)	29,527 (USD 1,000)	1,000,000	100	3,597	(7,326)	(7,614)	

Note 1: The consolidated financial statements have been offset.

Note 2: Refer to Note 10.

Note 3: Refer to Note 11.

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

Schedule 7

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 (Notes 1 and 3)	Carrying value of investments at year-end (Note 3)	Investment income transferred to Taiwan as at the end of the year
					Transferred	Recovered					
Mosa Shanghai	Wholesale, import and export of precision metal products, airbags and related parts	\$ 29,527 (USD 1,000)	Investment in a Mainland company by a company founded through third-party investment	\$ 29,527 (USD 1,000)	\$ -	\$ -	\$ 29,527 (USD 1,000)	100%	(\$ 7,326) (USD 235)	\$ 6,426 (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 (USD 1,000)	\$ 45,505 (USD 1,500)	\$ 2,587,440 (Note 2)

Note 1: Calculated based on financial statements reviewed by the CPA of the parent company in Taiwan.

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.

Note 3: The consolidated financial statements have been offset.

Mosa Industrial Corp.
Information on Major Shareholders
December 31, 2023

Schedule 8

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.

Appendix II.

Parent Company Only Financial Statements
for 2023 and Independent Auditors' Report

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 Consolidated Financial Statements
I. Cover	1	-
II. Table of Contents	2	-
III. Independent Auditors' Report	3~6	-
IV. Parent-Only Balance Sheet	7	-
V. Parent-Only Comprehensive Income Statement	8~9	-
VI. Parent-Only Statement of Changes in Equity	10	-
VII. Parent-Only Cash Flow Statement	11~12	-
VIII. Notes to the Standalone Financial Statements		
(I) Company Profile	13	1
(II) Date and Procedure for Approval of Financial Statements	13	2
(III) Application of Newly Issued and Amended Standards and Interpretations	13~14	3
(IV) Summary of Significant Accounting Policies	14~27	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	%
	CURRENT ASSETS				
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>
	Non-current assets				
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>
	Liabilities and equity				
	Current liabilities				
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>
	Non-current liabilities				
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>
	Equity				
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>

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

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

Chairman: Wang Te-Hsin

Manager: Wang Te-Hsin

Accounting Supervisor: Hsieh Chun-Hsiang

Mosa Industrial Corp.
Parent Company Only Statement of Cash Flows
From January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
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>

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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 (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 (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>

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	<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	(75,021)	(15,538)
	<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 (expected credit losses 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 (expected credit losses over the duration)	(9)	(2,661)	(8,459)	(4,409)	(15,538)
Amortized cost	<u>\$ 88,070</u>	<u>\$ 130,390</u>	<u>\$ 74,499</u>	<u>\$ -</u>	<u>\$ 292,959</u>

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 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. (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 beginning of the year	Increase during the year	Reclassification	Balance at the 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
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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	<u>\$ 670,567</u>	<u>\$ 1,194,379</u>
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	<u>\$ 17,075</u>	<u>\$ 16,575</u>
Subsidy revenue	<u>2,948</u>	<u>2,039</u>
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)	<u>\$ 3,272</u>	<u>\$ 22,690</u>
Gains (losses) from disposal of property plant and equipment	<u>(17,403)</u>	<u>43</u>
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
	<u>\$ 6,981</u>	<u>\$ 23,592</u>	<u>\$ 30,573</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Unrealized exchange gain	\$ 1,435	(\$ 1,435)	\$ -

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

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

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

(II) Business Transactions

1. Receivables from Related Parties

<u>Account Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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

<u>Account Item</u>	<u>Related Party Category/Name</u>	<u>2023</u>	<u>2022</u>
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 (recognized in other financial assets - 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 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 currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount
<u>Monetary items</u>						
USD (USD:NTD)	\$	3,515	30.705	\$	6,544	30.71
RMB (RMB:NTD)		16,795	4.327		8,883	4.408
EUR (EUR:NTD)		1,923	33.98		3,603	32.72
<u>Foreign currency liabilities</u>						
<u>Monetary items</u>						
USD (USD:NTD)		168	30.705		247	30.71
RMB (RMB:NTD)		54	4.327		74	4.408
EUR (EUR:NTD)		26	33.98		86	32.72

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 Name of Company	Subject of Endorsement/Guarantee		Limit of Endorsement and Guarantee for a Single Company (Note 1)	Maximum Endorsement and Guarantee Balance for the Year	Endorsement and Guarantee Balance at the End of the Year	Actual Expenditure Amount	Amount of Endorsement and Guarantee with Property as Collateral	Ratio of Accumulated Endorsement and Guarantee to Net Financial Statements for the Year	Maximum Endorsement and Guarantee (Note 2)	Endorsement and Guarantee from Parent Company to Subsidiary	Endorsement and Guarantee from Subsidiary to Parent Company	Endorsement and Guarantee to Mainland Area	Remark
		Name of Company	Relationship											
0	The Company	Mosa	Subsidiaries	\$ 1,078,100	\$ 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 (Selling)	Name of Counterparty	Relationship	Transaction Status				The Circumstances and Reasons Why the Transaction Conditions are Different from Those of Ordinary Transactions		Notes and Accounts Receivable (Payable)		Remark
			Purchase (Sale)	Amount	Percentage to Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Remaining Balance	Percentage to Total Notes and Accounts Receivable (Payable)	
Mosa	Mosa Shanghai	Subsidiaries	Sale	\$ 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 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 (USD 1,000)	29,527 (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 (USD 1,000)	Investment in a Mainland company by a company founded through third-party investment	\$ 29,527 (USD 1,000)	\$ -	\$ -	\$ 29,527 (USD 1,000)	100%	(\$ 7,326) (USD 235)	\$ 6,426 (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 (USD 1,000)	\$ 45,505 (USD 1,500)	\$ 2,587,440 (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 preparatio

Mosa Industrial Corporation

Chairman: The-Hsin Wang