

Mildef Crete Inc.
Parent Company Only Financial
Statements and Certified Public
Accountant's Audit Report
2022 and 2021

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Notice to Reader:

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

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Certified Public Accountant's Audit Report

To the Board of Directors of Mildef Crete Inc.

Opinion

We have audited balance sheet of Mildef Crete Inc. as of December 31, 2022 and 2021, as well as statements of comprehensive income, changes in equity and cash flows for 2022 and 2021, from January 1 to December 31, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned parent company only financial statements have been prepared in all material aspects according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. They fairly present financial position of Mildef Crete Inc. as of December 31, 2022 and 2021, its financial performance and cash flow for the periods from January 1 to December 31, 2022 and 2021.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of Mildef Crete Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide 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 parent company only financial statements of Mildef Crete Inc. for the year 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. We judge that they key audit matters to be communicated in the audit report are as follows:

Inventory valuation

As to detailed accounting policies related to inventory valuation refer to Note 4 (7) to the parent. company only financial statements; for details on estimation and hypothesis uncertainty of inventory valuation, refer to Note 5 to the parent company only financial statements; concerning provision for inventory write-down, refer to Note 6 (4) to the parent company only financial statements.

Explanations of Key Audit Matters:

Inventories shall be measured based on the cost or the net realisable value whichever is lower. Mildef. Crete Inc. is engaged in manufacturing and selling rugged computers. Generally, the life cycle of rugged computers is long. In consideration of businesses, inventories of certain key components shall be maintained for in a relatively long term. However, future requirements might change. As a consequence, related components would not be sold as expected and their inventories would become obsolete and slow-moving. In that case, inventory costs would exceed their net realisable value. The net realisable value of inventories has to be estimated dependent upon subjective judgment of the management, so inventory valuation is one of the important matters for evaluation in our audit of the financial statements of Mildef Crete Inc.

Corresponding audit procedures:

Our audit procedures performed in respect of the above key audit matter mainly included checking the inventory aging reports provided by Mildef Crete Inc. and analyzing changes in inventory age in different phases; randomly checking correctness of the inventory aging report; performing inventory valuation and confirming implementation of existing accounting policies by Mildef Crete Inc.; and evaluating appropriateness of the past provision for obsolete and slow-moving inventories by the management.

Responsibilities of Management and Governing Body for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control, as management determines, is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

The governing body, including the audit committee, are responsible for overseeing the financial reporting process of Mildef Crete Inc.

Accountants' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatements resulting from fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high degree of assurance, but audits performed in accordance with audit standards cannot guarantee that the

existence of material misstatements in an audit will be detected. Misstatements might arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements resulting from fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misstatement, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but the purpose is not to express an opinion on the effectiveness of the internal control of Mildef Crete Inc.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the verification evidence obtained, the conclusion is drawn as to whether there is a material uncertainty regarding the appropriateness of management adopting a going concern accounting basis and the event or circumstance that may raise significant doubts on the ability of Mildef Crete Inc. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditors' report. However, future events or conditions may cause Mildef Crete Inc. to cease to continue as a going concern.
5. Evaluate the overall expression, structure and content of the parent company only financial reports (including related notes) and whether the parent company only financial reports are fair presentation of related transactions and events.
6. Obtain sufficient and appropriate audit evidence on the financial information of the invested company by using the equity method to express opinions on the parent company only financial statements. We are responsible for direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion issued in respect of the parent company only financial statements.

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

We also provide governing body a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the governing body, we determine those matters that are significant in the audit of the parent company only financial statements of Mildef Crete Inc. of year 2022. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Taiwan

CPA: Wei-Ming Shi

Mei-Yan Chen

Competent Securities Authority's
Approval Document No.
March 23, 2023

Jin-Guan-Zheng-VI Zi No. 0950103298
: (88) Tai-Cai-Zheng (VI) No.18311

Unit: NT\$ thousand

(Please read the accompanying notes to the parent company only financial statements)

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc.

Statement of Comprehensive Income

January 1 to 31 December, 2022 and January 1 to 31 December, 2021

Unit: NT\$ thousand

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (15) and 7)	\$ 2,706,970	100	2,807,558	100
5000	Operating cost (Note 6 (4), (6), (7), (8), (10), (11), (16), 7 and 12)	2,182,095	81	2,217,965	79
	Gross operating profit	524,875	19	589,593	21
5910	Minus: Realized gain from sales	-	-	(4,488)	-
	Realized gross operating profit	524,875	19	594,081	21
	Operating expenses (Note 6 (6), (7), (8), (9), (11), (16), 7 and 12):				
6100	Selling and marketing expenses	175,311	6	182,778	6
6200	General and administrative expenses	41,035	1	42,356	2
6300	Research and development expenses	69,796	3	65,491	2
	Total operating expenses	286,142	10	290,625	10
	Net operating profit	238,733	9	303,456	11
	Non-operating income and expenses:				
7100	Interest income (Note 6 (17))	8,827	-	8,233	-
7010	Other income (Note 6 (9) and (17))	18,094	1	10,456	-
7020	Other gains and losses (Note 6 (17) and (18))	13,383	1	(5,371)	-
7375	Share of the profit of subsidiaries and associates accounted for using the equity method (Note 6 (5))	13,382	-	(17,800)	-
7225	Gains on disposal of investments (Note 6 (5))	-	-	496,607	18
7510	Finance costs (Note 6 (9) and (17))	(479)	-	(304)	-
	Total non-operating income and expenses	53,207	2	491,821	18
	Net profit before tax	291,940	11	795,277	29
7950	Minus: Income tax expense (Note 6 (12))	63,670	3	157,085	6
	Current net profit	228,270	8	638,192	23
8300	Other comprehensive profit or loss:				
8310	Items not reclassified as profit or loss				
8311	Remeasurement of defined benefit plans (Note 6 (11) and (13))	15,452	1	1,688	-
8316	Unrealized gains on equity investments at fair value through other comprehensive profit or loss (Note 6 (13) and (18))	330,478	12	166,995	6
8349	Minus: Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6 (12))	70,159	2	33,486	1
	Total amount of items not reclassified to profit or loss	275,771	11	135,197	5
8360	Items that may be reclassified subsequently to profit or loss				
8380	Share of the other comprehensive profit or loss of associates accounted for using the equity method (Note 6 (5) and (13))	-	-	14,798	-
8399	Less: Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	-	-	14,798	-
8300	Other comprehensive profit or loss in current period	275,771	11	149,995	5
	Total amount of other current comprehensive profit or loss	<u>\$ 504,041</u>	<u>19</u>	<u>788,187</u>	<u>28</u>
	Earnings per share (NT\$; (Note 6 (14))				
	Basic earnings per share	<u>\$ 3.89</u>		<u>10.87</u>	
	Diluted earnings per share	<u>\$ 3.83</u>		<u>10.72</u>	

(Please read the accompanying notes to the parent company only financial statements)

Chairman: Shen Yi-tong

Manager: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc.
Statement of Changes in Equity
January 1 to 31 December, 2022 and January 1 to 31 December, 2021

Unit: NT\$ thousand

	Retained earnings						Other Equity Items				
	Capital stock - ordinary shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Share of the other comprehensive profit or loss of associates accounted for using the equity method	Unrealized gain/loss on financial assets at fair value through other comprehensive profit or loss	Defined benefits plans remeasurement	Total	Total equity
Balance on January 1, 2021	\$ 586,855	72,650	421,570	52,277	516,192	990,039	(14,798)	(9,783)	(20,360)	(44,941)	1,604,603
Current net profit	-	-	-	-	638,192	638,192	-	-	-	-	638,192
Other comprehensive profit or loss in current period	-	-	-	-	-	-	14,798	133,847	1,350	149,995	149,995
Total amount of other current comprehensive profit or loss	-	-	-	-	638,192	638,192	14,798	133,847	1,350	149,995	788,187
Appropriation and distribution of earnings:											
Legal reserve	-	-	34,611	-	(34,611)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(7,335)	7,335	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(264,085)	(264,085)	-	-	-	-	(264,085)
Changes in capital surplus from investments in associates accounted for using the equity method	-	37,626	-	-	-	-	-	-	-	-	37,626
Disposal of associates by equity method	-	(37,626)	-	-	-	-	-	-	-	-	(37,626)
Differences between equity price paid and book value of subsidiaries acquired	-	-	-	-	(2,488)	(2,488)	-	-	-	-	(2,488)
Balance on December 31, 2021	586,855	72,650	456,181	44,942	860,535	1,361,658	-	124,064	(19,010)	105,054	2,126,217
Current net profit	-	-	-	-	228,270	228,270	-	-	-	-	228,270
Other comprehensive profit or loss in current period	-	-	-	-	-	-	-	263,409	12,362	275,771	275,771
Total amount of other current comprehensive profit or loss	-	-	-	-	228,270	228,270	-	263,409	12,362	275,771	504,041
Appropriation and distribution of earnings:											
Legal reserve	-	-	63,570	-	(63,570)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(44,942)	44,942	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(217,137)	(217,137)	-	-	-	-	(217,137)
Balance on December 31, 2022	\$ 586,855	72,650	519,751	-	853,040	1,372,791	-	387,473	(6,648)	380,825	2,413,121

(Please read the accompanying notes to the parent company only financial statements)

Chairman: Shen Yi-tong

Manager: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc.
Statement of Cash Flows

January 1 to 31 December, 2022 and January 1 to 31 December, 2021

Unit: NT\$ thousand

	Year 2022	Year 2021
Cash flows from operating activities:		
Net income before tax	\$ 291,940	795,277
Adjustments for:		
Profit and loss		
Depreciation expense	41,507	40,950
Amortization expense	5,139	4,653
Net gain on financial assets at fair value through profit or loss	(225)	(357)
Interest expenses	479	304
Interest income	(8,827)	(8,233)
Dividend income	(16,338)	(8,844)
Share of gain/loss of associates recognized under equity method	(13,382)	17,800
Gain on disposal of investments	-	(496,607)
Realized gain on sales of goods	-	(4,488)
Total profit and loss	8,353	(454,822)
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Increase in notes and accounts receivable	(30,173)	(42,003)
Decrease(increase) in accounts receivable - related parties	(5,307)	156,740
Increase in inventories	(135,418)	(55,114)
Increase in other current assets	(6,749)	(2,452)
Total net changes in assets related to operating activities	(177,647)	57,171
Net changes in liabilities related to operating activities:		
Increase (decrease) in contract liabilities	(17,247)	41,578
Increase (decrease) in notes payable	25,860	(22,000)
Increase in accounts payable	39,371	9,246
Increase (decrease) in other payables - related parties	2,010	(900)
Increase (decrease) in provision for guarantee liabilities	2,320	(3,261)
Decrease in payables and other current liabilities	(11,210)	(352)
Decrease in net defined benefit liabilities	(8,794)	(3,148)
Total amount of net changes in liabilities related to operating activities	32,310	21,163
Total amount of net changes in assets and liabilities related to operating activities	(145,337)	78,334
Total adjustments	(136,984)	(376,488)
Net cash generated from/(used in) operations	154,956	418,789
Interest received	8,827	8,233
Income tax paid	(82,085)	(95,442)
Net cash inflow from operating activities	81,698	331,580
Cash flows from investing activities:		
Purchase of financial assets at fair value through profit or loss	(20,000)	(330,000)
Disposal of financial assets at fair value through profit or loss	120,260	330,327
Disposal of investments accounted for using the equity method	-	77,185
Acquisition of property, plant and equipment	(15,293)	(12,991)
Decrease (increase) in other non-current assets	1	(196)
Acquisition of intangible assets	(4,520)	(8,304)
Decrease in other financial assets	39,920	9,000
Dividends received (including associates)	26,002	33,574
Net cash inflow from investing activities	146,370	98,595
Cash flows from financing activities:		
Payment of the principal portion of lease liabilities	(27,626)	(26,706)
Payments of cash dividends	(217,137)	(264,085)
Non-controlling interests gained from subsidiaries	-	(6,857)
Interests paid	(479)	(304)
Net cash outflow of financing activities	(245,242)	(297,952)
Increase (decrease) in cash and cash equivalents in this period	(17,174)	132,223
Opening balance of cash and cash equivalents	445,347	313,124
Closing balance of cash and cash equivalent	\$ 428,173	445,347

(Please read the accompanying notes to the parent company only financial statements)

Chairman: Shen Yi-tong

Manager: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc.
Notes to Parent Company Only Financial Statements
2022 and 2021

(In NT\$ thousand, except otherwise specified)

I. Company History

Mildef Crete Inc. (hereinafter referred to as the "Company") was established upon approval of the Ministry of Economic Affairs on March 15, 1990 with its registered address at 7th Floor, No. 250, Section 3 Beishen Road, Shenkeng District, New Taipei City. The Company mainly operates in research, design, planning, manufacturing, sales, import and export trade business of various computer software and hardware and its components, manufacturing and installation of related computer software and hardware combination and consulting services thereof, and reinvestment of related businesses.

II. Date and Procedure for Approval of Financial Statements

This parent company only financial report was approved by the Board of Directors on March 23, 2022.

III. Applicability of Newly Issued and Revised Standards and Interpretations

- (I) Adoption of newly issued and revised standards and interpretations approved by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The following newly amended International Financial Reporting Standards (IFRS) were applied by the Company from January 1, 2022, and did not have a significant impact on the parent company only financial statements.

- Amendments to IAS 16, "Property, Plant and Equipment -Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements on IFRS for the period of 2018—2020
- Amendments to IFRS 3 "Reference to Conceptual Framework"

- (II) Impact of non-adoption of International Financial Reporting Standards (IFRS) endorsed by the FSC

The Company assesses that the application of the following newly amended International Financial Reporting Standards, effective on January 1, 2023, will not have significant impacts on the parent company only financial statements.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Annual to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

- (III) New and amended standards and interpretations not yet endorsed by the FSC

The standards and interpretations issued and amended by the International Accounting

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Standards. Board but not yet endorsed by FSC may be relevant to the Company as follows:

New and amended standards	Main amendments	Effective date announced by the IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The current IAS 1 stipulates that enterprises classify their liabilities as current when they do not have unconditional right to defer settlement for at least twelve months after the reporting period. The International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional, and instead requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how companies should classify liabilities repaid by issuing their own equity instruments (such as convertible corporate bonds).</p>	January 1, 2024

The Company is in the process of continuously assessing the impact of the above standards and interpretations on the financial position and results of operations of the Company. The relevant impact will be disclosed upon completion of the assessment.

The Company expects that the following other newly issued and amended standards that have not yet been endorsed, will not have a significant impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Investment of Assets between Investors and Their Associates or Joint Ventures”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendments to IAS 1 “Non-current Liabilities with Contractual Terms”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback

IV. Summary of Significant Accounting Policies

The summary of significant accounting policies used in this parent company only financial report is as follows. The following accounting policies have been applied consistently throughout the reporting period of this parent company only financial statement.

A. Statement of compliance

This parent company only financial statement is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

B. Basis of preparation

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

1. Basis of measurement

Except for the following important items in the balance sheet, this parent company only financial statements are prepared on the basis of historical costs:

- (1) Financial assets measured at fair value through profit or loss measured at fair value;
- (2) Financial assets measured at fair value through other comprehensive profit or loss at fair value; and
- (3) Net defined benefit liabilities are measured at the present value of defined benefit obligations, and the effect of the cap referred to Note 4 (16) less the fair value of pension fund assets.

2. Functional currencies and presentation currencies

The Company uses the currency of the primary economic environment in which it operates as its functional currency. This parent company only financial statements are presented in the functional currency of the Company - NT\$. Unless otherwise indicated, all financial information presented in NT\$ is presented in NT\$ thousand.

C. Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are converted into functional currencies at the exchange rates of the trading day. Foreign currency monetary items at the end of each subsequent reporting period (hereinafter referred to as the “reporting date”) are translated into functional currencies at the exchange rate on that date. Foreign currency non-monetary items measured at fair value are converted into functional currency at the exchange rate on the date when the fair value is measured, while foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction.

Foreign currency exchange differences resulting from conversion are normally recognized in profit and loss, except for equity instruments that are designated as being measured at fair value through other comprehensive profit or loss.

2. Foreign operating institutions

Assets and liabilities of foreign operating institutions, including goodwill and fair value adjustments arising at the time of acquisition, are translated into currencies presented in the parent company only financial statements at the exchange rate on the reporting date; income and expense items are translated into currencies presented in the parent company only financial report at the average exchange rate of the current period. Exchange differences arising therefrom are recognized in other comprehensive profit or loss.

When the disposal of a foreign operating institution results in a loss of significant influence, the accumulated exchange difference related to the foreign operating institution shall be fully reclassified to profit or loss. When partial disposal

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

includes investments in associates of foreign operating institutions, the relevant accumulated exchange difference shall be classified proportionally into profit and loss.

D. Criteria for Classification of Assets and Liabilities as Current and Non-current

Assets that meet one of the following conditions are classified as current assets, while other assets that are not current assets are classified as non-current assets:

1. Foreign currency transactions are expected to be realized in the normal operating cycle of the Company, or intended to sell or consume it.
2. Held primarily for trading purposes.
3. Expected to be achieved within 12 months after the reporting period.
4. Cash or cash equivalents, excluding those subjects to other restrictions for which liabilities have been swapped or settled for more than 12 months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities are classified as non-current liabilities:

1. Expected to be settled in the normal operating cycle of the Company.
2. Held primarily for trading purposes.
3. Those repayment due in 12 months after the reporting period.
4. The Company cannot unconditionally extend the settlement period of the liabilities that have been settled for more than 12 months after the reporting period.

E. Cash and cash equivalents

Cash includes cash on hand, cheque deposits and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into fixed cash with minimal risk of changes in value. Time deposits that meet the above definition and are held for short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

F. Financial Instruments

Accounts receivable are initially recognized when incurred. All other financial assets and financial liabilities were initially recognized when the Company became a party to the financial instruments contract. Financial assets at fair value through profit or loss (excluding accounts receivable that do not contain a significant financial component), or financial liabilities are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that does not include a significant financial component are initially measured at the transaction price.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

1. Financial Assets

Financial assets at the time of initial recognition are classified as: financial assets at amortised cost, financial assets at fair value through other comprehensive profit or loss and financial assets at fair value through profit or loss. When purchasing or selling financial assets according to transaction practice, accounting treatment on the transaction date is adopted. The Company reclassified all affected financial assets from the first day of the next reporting period only when the business model of the managed financial assets was changed.

(1) Financial assets at amortised cost

Financial assets are measured at amortised cost when they meet all the following conditions, and are not designated as measured at fair value through profit or loss:

- The financial asset is held under the business model for the purpose of collecting contractual cash flows.
- The contractual terms of these financial assets give rise to cash flows at a specified date, exclusively for the payment of principal and interest on the outstanding principal amount.

After the initial recognition of these financial assets, the effective interest rate method is used to measure the amortised cost less the impairment loss. Interest income, foreign currency exchange gain or loss, and impairment loss are recognized in profit or loss. When de-recognized, the accumulated profit or loss is recognized in profit or loss.

(2) Financial assets at fair value through other comprehensive profit or loss

At the time of initial recognition, the Company may make an irrevocable choice to report the subsequent changes in fair value of equity instrument investments not held for trading in other comprehensive profit or loss. The aforementioned choices are made on a tool-by-tool basis.

Equity instrument investments are subsequently measured at fair value. Dividend income (unless it clearly represents the recovery of part of the investment cost) is recognized in profit or loss. Other net gain or loss is recognized as other comprehensive profit or loss. When derecognising, other comprehensive profit or loss accumulated under equity items is reclassified to retained earnings, not reclassified to profit or loss.

Dividend income from equity investments is recognized at the date on which the Company is entitled to receive dividends (usually the ex-dividend date).

(3) Financial assets measured at fair value through profit or loss

Financial assets other than those aforementioned that measured at amortised cost or at fair value, through other comprehensive profit or loss, are measured at fair value through profit or loss, including derivative financial assets. At the time of initial recognition, the Company irrevocably designated the financial assets that meet the fair value measurement conditions according to the cost after amortisation or other comprehensive profit or loss as financial assets measured at fair value through profit or loss, in order to eliminate or significantly reduce accounting mismatch.

These assets are subsequently measured at fair value and their net profit or loss. (Including any dividend and interest income) is recognized as profit or loss.

(4) Evaluate whether the contractual cash flow is fully paid for principal and interest on the outstanding principal amount

For the purpose of evaluation, principal is the fair value of a financial asset at the time of its initial recognition, and interest consists of the following considerations: the time value of the currency, the credit risk associated with the amount of the principal outstanding during a given period, and other basic lending risks/ costs/ profit margin.

When evaluating whether the contractual cash flows are exclusively interest on the principal paid and the amount of principal outstanding, the Company considers the terms of the financial instruments contract, including whether the financial assets contain a contractual clause that can change the timing or amount of the contractual cash flows, such that it does not meet this condition. In evaluating, the Company considers:

- Any contingency contingency that would change the timing or the amount of the contractual cash flow;
- Possible adjustments to the terms of the contractual coupon rate, including the characteristics of the variable interest rate;
- Early repayment and extension characteristics; and
- The Company's claims are limited to the terms of cash flows originating from specific assets (e.g. non-recourse features).

(5) Impairment of financial assets

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

For the following financial assets, the loss allowance is measured at the amount of expected credit losses for 12 months, and the rest are measured at the amount of lifetime expected credit losses:

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

- The credit risk of bank deposits (i.e. the risk of default during the expected lifetime of the financial instrument) has not significantly increased since the initial recognition.

Loss allowance on accounts receivable is measured on the basis of the amount of lifetime expected credit loss.

In determining whether there has been a significant increase in credit risk since the initial recognition, the Company has considered information that is reasonable and substantiated (obtain without undue cost or investment), including qualitative and quantitative information, and analysis based on the Company's historical experience, credit assessment and forward-looking information.

Lifetime expected credit losses are expected credit losses arising from all possible defaults during the expected lifetime of the financial instrument; expected credit losses for 12 months are expected credit losses arising from potential defaults within period of 12 months after the reporting date (or a shorter period if the expected lifetime of the financial instrument is shorter than 12 months).

The maximum period for which expected credit losses are measured is the maximum contract period for which the Company is exposed to credit risk.

Expected credit losses are weighted estimates of the probability-weighted estimate of credit losses during the expected lifetime of the financial instrument. Credit losses are measured at the present value of all cash shortfalls, that is, the difference between the cash flows collectable by the Company under the contract and the cash flows expected to be collected by the Company. Expected credit losses are discounted at the effective interest rate of the financial assets.

Loss allowance on financial assets measured at amortised cost is deducted from the carrying amount of the assets.

When the Company is unable to reasonably expect the recovery of financial assets in whole or in part, it directly reduces the total carrying amount of its financial assets. The Company analyzes the point of time and amount of write off individually on the basis of whether it is reasonably expected to be recoverable. The Company does not expect that the amount write off will be significantly reversed. However, the write off financial assets remain enforceable to comply with the Company's procedures for the recovery of past due amounts.

(6) Derecognition of financial assets

The Company de-recognizes financial assets only when the contractual right of the cash flow from the asset is terminated, or the financial asset has been transferred while substantially all the risks and rewards of the ownership of the

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

asset have been transferred to other enterprises, or substantially all the risks and rewards of the ownership have not been transferred or retained and the control of the financial asset has not been retained.

The Company enters into transactions for the transfer of financial assets and continues to recognize them in the balance sheet to the extent that it retains all or substantially all of the risks and rewards of the ownership of the transferred assets.

2. Financial Liabilities

(1) Financial Liabilities

Financial liabilities are classified at amortised cost or at fair value through profit or loss. Financial liabilities that are held for trading, derivatives or designated at initial recognition are classified at fair value through profit or loss, and the related net profit and loss, including any interest expense, is recognized in profit or loss.

Financial liabilities measured at amortisation cost are subsequently measured at cost after amortisation using the effective interest method. Interest expense and gain or loss on conversion are recognized in profit or loss. Any gains or losses at the time of derecognition are also recognized in profit or loss.

(2) Derecognition of financial liabilities

The Company de-recognizes financial liabilities only when the contractual obligations have been fulfilled, cancelled or matured. When the terms of the financial liabilities are modified and the cash flow of the liabilities after the modification is materially different, the original financial liabilities shall be de-recognized and the new financial liabilities shall be recognized at fair value on the basis of the modified terms.

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

(3) Offset of financial assets and liabilities

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis only when the Company currently has a legally enforceable right to offset and intends to make net settlement or simultaneously realize the assets and settle the liabilities on a net basis.

G. Inventories

The original cost of inventories is the necessary expense to bring the inventories to the location in which they are available for sale or production. The fixed production overheads are amortised into finished good and work in process according to the normal capacity of production facilities, while the variable production overheads are amortised based on the actual production output. Thereafter, it is calculated at the lower of the cost

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

and net realisable value. The cost is calculated by the monthly weighted average method. The net realisable value is calculated on the basis of the estimated selling price under normal business conditions at the balance sheet date less the cost and selling expenses that need to be invested until completion.

H. Investment in Associates

Associate refers to the Company has a significant influence on its financial and operational policies, but is not controlling or joint controlling.

The company adopts the equity method for treatment of the equity of associates. Under the equity method, the original acquisition is recognized at cost, and the investment cost includes the cost of the transaction. The carrying amount of an investment in an associate includes the goodwill recognized at the time of the original investment, less any accumulated impairment losses.

From the date of significant influence to the date of loss of significant influence of the parent company only financial statements, after making adjustments to be consistent with the accounting policies of the Company, the Company recognizes the amount of profit or loss and other comprehensive profit or loss of each associate in accordance with the equity ratio. When the equity of the associate is changed in non-profit or loss or other comprehensive profit or loss and does not affect the shareholding ratio of the Company, the Company recognizes all equity changes as the capital reserves in accordance with the shareholding ratio.

Unrealized profits and losses arising from transactions between the Company and associates are recognized in the enterprise financial statements only to the extent of the equity of non-related party investors in associates.

The Company ceases to use the equity method as of the date when its investment ceases to be an associate, and the retained equity is measured at fair value. The fair value of the retained equity and the difference between the disposal price and the carrying amount of the investment at the date when the equity method is discontinued, are recognized in profit or loss for the current period. For all amounts previously recognized in other comprehensive profit or loss relating to the investment, the basis of accounting treatment is the same as that required to be complied with by the associate for the direct disposal of the relevant asset or liability, i.e., if the gain or loss previously recognized in other comprehensive profit or loss is reclassified to profit or loss at the time of the disposal of the relevant asset or liability, such gain or loss is reclassified from equity to profit or loss when the enterprise discontinues the equity method. If the Company's ownership interest in an associate is reduced, but the equity method is continuously applied, the Company will reclassify the relevant profit or loss previously recognized in other comprehensive profit or loss based on the above-mentioned reduction.

I. Investment in Subsidiary

In the preparation of the parent company only financial statements, the Company

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

applies the equity method to evaluate the controlling investee company. Under the equity method, the current profit or loss and other comprehensive profit or loss in the parent company only financial statements shall be the same as the apportion of the current profit or loss and other comprehensive profit or loss in the consolidated financial statements attributable to the owner of the parent company. In addition, the owner's equity in the parent company only financial statements shall be the same as the equity attributable to parent company in the consolidation statements.

Changes in the Company's ownership interest in subsidiaries that do not result in the loss of control, are treated as an equity transaction with the owner.

J. Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalisation borrowing costs) less accumulated depreciation and any accumulated impairment.

When the useful life of a major component of property, plant and equipment is different, it is treated as a separate item (the main component) of property, plant and equipment.

Gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of assets less residual value, and is recognized in profit or loss using a straight-line method over the estimated useful life of each component.

Except for the land which is not depreciated, the estimated useful life of the remaining assets in the current period and the comparison period is as follows:

- | | |
|-------------------------------|------------|
| (1) Houses and buildings: | 40 years. |
| (2) Machinery and equipment: | 5~8 years. |
| (3) Transportation equipment: | 5 years. |
| (4) Office facilities: | 5 years. |
| (5) Other equipment: | 3~5 years. |

The depreciation method, useful life, and residual value are reviewed at each reporting date, and the impact of any estimated changes is deferred for adjustment.

K. Leases

The Company evaluates whether the contract is or contains a lease on the date of its contractual conclusion, and if the contract transfers control over the use of the identified assets for a period in exchange for consideration, the contract is or contains a lease.

The Company recognizes the right-of-use assets and lease liabilities at the

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

commencement date of the lease. The right-of-use assets are measured at initial cost, which includes the initial measurement amount of the lease liability, adjusting any lease payments made on or before the commencement date of the lease, adding the initial direct costs incurred and the estimated costs of dismantling or removing the targeted assets, reinstating its location or the targeted asset, and subtracting any lease incentives received

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to the end of the useful life or the end of the lease term, whichever is earlier. In addition, the Company periodically evaluates whether the impairment of the right-of-use assets has occurred and deals with any impairment losses that have occurred, and adjusts the right-of-use assets in conjunction with the remeasurement of the lease liabilities.

Lease liabilities are initial measurements of the present value of lease benefits unpaid on the start date of the lease. If the interest rate implicit in the lease is readily determinable, the discount rate will be that interest rate, or if it is not readily determinable, the incremental borrowing rate of interest of the Company will be applied. In general, the Company adopts the increased borrowing interest rate as the discount rate.

Lease benefits measured by lease liabilities include:

1. Fixed benefits, including substantial fixed benefits;
2. Depending on the variable lease benefits based on an index or rate, the index or rate at the start date of the lease is used as the initial measurement;
3. The exercise price or penalty payable upon reasonable determination that the purchase option or the lease termination option will be exercised.

Lease liabilities are subsequently accrued on the basis of the effective interest method and the amount is remeasured when:

1. Changes in future lease benefits due to changes in the index or rate used to determine lease benefits;
2. Changes in the assessment of the lease term as a result of change in the assessment of whether to exercise the extension or termination option;
3. Modification of the subject, scope or other terms of the lease.

When lease liability is remeasured as a result of the aforementioned change in the index or rate used to determine the lease benefits and the change in valuation because of extension or termination, the carrying amount of the right-of-use asset is adjusted accordingly and the remaining remeasured amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that change the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or complete termination of the lease. The difference between the amount and the remeasurement amount of the lease liability is recognized in profit or loss.

With respect to short-term leases of parking spaces, the Company chooses not to

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

recognize the right-of-use assets and lease liabilities, but recognized the relevant lease benefits as expenses on a straight-line basis over the lease term.

The Company chooses to adopt a practical expedient approach for all store rent concession that meet the following conditions without evaluating whether they are lease modifications:

1. Rent concessions incurred as direct result of the COVID-19 pandemic;
2. The revised consideration for the lease resulting from the change in lease benefits is approximately the same as or lesser than the consideration for the lease prior to such change;
3. Any decrease in lease benefits only affects the benefits that were due prior to December 31, 2022; and
4. The other terms and conditions of the lease remain unchanged in substance.

Under the practical expedient approach, when rent concession results in change in lease benefits, the change is recognized as profit or loss at the time of the event or circumstance initiating the rent concession.

L. Intangible Assets

Intangible assets are the cost of software purchased externally, which are measured at cost less the accumulated amortisation and accumulated impairment, and are amortised into profit or loss on average over three to five years according to future economic benefit. The Company evaluates the residual value of intangible assets, the amortisation period and the amortisation method at each reporting date. Changes in residual value, amortisation period and amortisation method are considered as changes in accounting estimates.

M. Impairment of Non-financial Assets

For non-financial assets other than inventory and deferred income tax assets, the Company assesses whether impairment has occurred on each reporting date and estimates the recoverable amount of the impaired assets.

The recoverable amount of individual assets or cash-generating units is the higher of the fair value less the costs to sell and its value in use. If the recoverable amount of an individual asset or cash generating unit is less than the carrying amount, the adjustment of the carrying amount of the individual asset or cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized. Impairment losses are recognized immediately in profit or loss for the current period. Accumulated impairment losses recognized in prior years that subsequently ceased to exist or decreased, shall be reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, which does not exceed the carrying amount that would have been depreciated or amortised if the individual asset or cash-generating unit did not recognize impairment loss in prior years.

N. Provision for Liabilities

The recognition of the provision for liabilities is a present obligation due to past events which makes it very probable that the Company will need to release economically effective resources in the future to meet such obligation, and the amount of such obligation can be reliably estimated.

The provision for warranty liabilities is recognised when the goods or services are sold and is weighted based on historical guarantee information and all possible outcomes in accordance with its associated probability.

O. Income from Clients' Contracts

Income is measured at the consideration to which the transfer of goods or services is expected to be entitled. The Company recognizes income when the control of goods or services is transferred to the client and the performance obligation is satisfied. The Company's main income items are described as follows:

1. Sale of goods-rugged computers

The Company manufactures and sells rugged computers to clients. The Company recognizes income when the control of product is transferred to client. The transfer of control over such product means that such product has been delivered to the client. The client can fully determine the sales channel and price of the product, and there is no longer any unfulfilled obligation that would affect the client's acceptance of such product. Delivery is the point at the time when the client has accepted the product under the terms of the transaction, the risks of obsolescence and loss have been transferred to the client, and the Company has objective evidence that all the acceptance conditions have been satisfied.

The Company provides warranty for the sales of rugged computer in accordance with the agreed specifications and has recognized provision for warranty liabilities in respect of such obligation. For details, please refer to Note 6 (10).

2. Sale of goods-business laptops

The Company sells commercial laptops in the retail market and recognizes income when the product entity delivers it to the client. Prices are mostly paid immediately when the client purchases the product.

3. Labor service income

The Company provides clients with laptop repair services and recognizes the related income upon completion of the provision of services.

4. Financial component

The Company does not adjust the monetary time value of the transaction price, as the Company expects to transfer goods or services to the client within one year of the point in time when the client pays for such goods or services.

P. Employee Benefits

1. Defined contribution plans

The obligation to determine the contribution to pension plan is recognized as expense during employee's period of service.

2. Defined benefit plans

The net obligation of the Company under the defined benefit plan is measured at the discounted value of the amount of future benefits earned by employees during the current or prior period of service, less the fair value of the plan assets. The Company's defined benefit obligations are actuarially determined annually by a qualified actuarial practitioner using the projected unit benefit method. Where the result of the calculation may be beneficial to the Company, the asset is recognized to the extent of the present value of any economic benefits to be derived in the form refund of the plan's contribution or reduction of the future contributions from the plan. In calculating the present value of economic benefits, any minimum funding requirement shall be considered.

The remeasurement of the net defined benefit liability (asset), including any changes in actuarial gains and losses, returns on plan asset (excluding interest) and the impact of the asset cap (excluding interest), is recognized immediately in other comprehensive profit or loss and accumulated in other equity. The net interest expense of the net defined benefit liability (asset) determined by the Company refers to the use of the net defined benefit liability (asset) and the discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

When the plan is revised or reduced, the changes in benefits related to the past service costs or reduced benefits or losses are immediately recognized as profit or loss. The Company recognizes the profit or loss from the settlement of the defined benefit plan when the settlement occurs.

3. Short-term employee benefits

The obligation for short-term employee benefits is measured on non-discounted basis and is recognized as an expense when the relevant services are rendered. The amount expected to be paid under the short-term cash bonus or dividend scheme is recognized as liability when the Company has a current legal or constructive obligation to pay as a result of the services provided by the employee in the past and such obligation can be reliably estimated.

Q. Income Tax

Income tax includes current and deferred income tax. Except for items related to business combination or direct recognition in equity or other comprehensive profit or loss, income tax and deferred income tax for the current period are recognized in profit or loss.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Income tax for the current period includes income tax payable or refundable calculated on the basis of taxable income (loss) for the current year, and any adjustment to income tax payable or refundable for the previous year.

Deferred income tax is recognized by measuring the temporary difference between the carrying amount of assets and liabilities for financial reporting purpose and their tax base. Deferred income tax is not recognized for temporary differences arising under the following circumstances:

1. Initial recognized asset or liability not falling to transaction of Consolidated Company, without influencing accounting profit and taxable income (loss) at the time of the transaction;
2. Temporary differences arising from investments in interests of subsidiaries, associates and joint venture, and the Company may control the point in time at which temporary difference is reversed and is probable not to reverse in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

Unused tax losses and unused income tax credits carried forward, and deductible temporary differences are recognized as deferred tax assets to the extent that future taxable income is probable to be available. In addition, it shall be reevaluated at each reporting date to reduce the relevant income tax benefit to the extent that it is not probable to be realized; or to reverse the previously reduced amount to the extent that it is probable to be sufficient for taxable income.

Deferred income tax is measured at the tax rate at the time of the expected reversal of temporary differences, using the statutory tax rate or the substantively enacted tax rate at the reporting date as the basis.

The Company will offset deferred tax assets and deferred tax liabilities only if the following conditions are met simultaneously:

1. Have the legally enforceable right to offset current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities are related to one of the following taxable entities subject to income tax levied by the same tax authorities;
 - (1) The same taxable entity; or
 - (2) Different taxable entities, provided that each entity intends to settle the current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period of expected recovery of deferred tax assets and expected settlement of deferred tax liabilities to a material amount.

R. Earnings Per Share

The Company presents basic and diluted earnings per share attributable to the ordinary equity holders of the Company. The basic earnings per share of the Company

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

are calculated by dividing the profit or loss attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is attributed to the profit or loss of the ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding, and is calculated after adjusting the effect of all potential diluted ordinary shares. The Company's potential diluted ordinary shares are employee remuneration with the option to issue shares.

S. Division Information

The Company has disclosed division information in the consolidated financial statements. Therefore, the parent company only financial statements do not disclose division information.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

In preparing these parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the management must make judgements, estimates and assumptions which will have impacts on the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

The management continuously reviews the estimates and underlying assumptions. The changes in accounting estimates are recognized during the period of the change and the future periods affected.

For the uncertainty of assumptions and estimates, the management of the Company considers that there are significant risks in the evaluation of inventories, which may result in significant adjustments in the coming year. The relevant information is as follows:

Since the inventory is measured at the lower of cost and net realisable value, the Company must use judgment and evaluation to determine the net realisable value of inventory at the reporting date. Based on business considerations, the Company is sometimes required to establish a longer-term inventory of some key components, but future demand is probable to change. The Company assesses the amount of inventory reported as obsolete or lower than the market selling price and offsets the inventory cost to the net realisable value. This inventory valuation is primarily based on estimates of goods demand over specified period in the future. Therefore, it might be subject to significant changes. Please refer to Note 6 (4) for details of inventory valuation.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

VI. Explanation on Important Accounting Items

(I) Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Cash on hand	\$ 372	372
Checks and demand deposits	<u>427,801</u>	<u>444,975</u>
	<u>\$ 428,173</u>	<u>445,347</u>

As at 31 December 2022 and 2021, the bank term deposits of the Company, with initial maturity date of over three months counted NT \$206,100,000 and NT \$246,020,000, respectively, which were included under other financial assets-current.

(II) Financial Instruments

1. Financial Assets Measured at Fair Value through Profit or Loss-Current

	<u>2022.12.31</u>	<u>2021.12.31</u>
Monetary funds	<u>\$ 20,030</u>	<u>120,065</u>

Please refer to Note 6 (17) for the amount remeasured at fair value and recognized in profit or loss.

2. Financial assets measured at fair value through other comprehensive profit or loss — non-current

Financial assets measured at fair value through other comprehensive profit or loss:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Unlisted (OTC-listed) company shares	\$ 19,819	24,683
Foreign-listed company shares	<u>1,034,681</u>	<u>699,339</u>
Total	<u>\$ 1,054,500</u>	<u>724,022</u>

In June 2021, Mildef Group AB, an associate invested under equity method, disposed of a portion of its shares and realized the sale of investment profit amounted to NT \$32,622,000. In addition, Mildef Group AB completed its initial public offering of shares, and went listed on the Nasdaq Stockholm Stock Exchange in Sweden. The Company's shareholding ratio decreased to 12.23% due to the aforementioned disposition and posted IPO offering. The equity method was ceased to use after being assessed as no longer having significant influence on the associate, and the fair value method was applied. The resulting difference amounted to NT \$463,985,000 was recognized as investment profit, and the remaining shareholdings were converted to non-current financial assets measured at fair value through other comprehensive profit or loss.

The Company holds the above equity instrument investments as long-term strategic investments, and is not held for trading purposes. Therefore, it is measured at fair value through other comprehensive profit or loss.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Information on significant foreign currency equity investments as of the reporting date is as follows:

	2022.12.31			2021.12.31		
	Foreign currencies	Exchange rate	NT\$	Foreign currencies	Exchange rate	NT\$
EUR	\$ 575	32.72	18,819	756	31.32	23,683
SEK	351,932	2.94	1,034,621	227,798	3.07	699,339

The Company has not disposed of any strategic investments in 2022 and 2021, and the accumulated gains and losses during the period have not been transferred within equity.

As of December 31, 2022 and 2021, none of the above financial assets of the Company provided pledge guarantees.

(III) Notes and accounts receivable (including related party)

	2022.12.31	2021.12.31
Notes and accounts receivable	\$ 95,529	66,079
Accounts receivable - related parties	11,683	6,376
Less: loss allowance	-	(723)
	\$ 107,212	71,732

The Company applies a simplified approach to the estimate of expected credit losses for all notes and accounts receivable, which is measured at the expected credit losses over the lifetime, with forward-looking information incorporated. Expected credit losses on notes and accounts receivable of the Company are analyzed as follows:

	2022.12.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 107,212	0.00001%	-

	2021.12.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 71,732	0.0000%	-
Past due for more than 365. days	723	100%	723
	\$ 72,455		723

The changes in allowance for loss on notes receivable and accounts receivable are as follows:

	2022	2021
Opening balance	\$ 723	723
Write off amounts as unrecoverable	(723)	-
Closing balance	\$ -	723

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(IV) Inventories

	<u>2022.12.31</u>	<u>2021.12.31</u>
Goods	\$ 181,895	120,009
Finished goods	3,051	1,433
Semi-finished goods	153,820	198,774
Work in process	231,888	148,208
Raw materials	495,014	461,826
	<u><u>\$ 1,065,668</u></u>	<u><u>930,250</u></u>

The inventory cost recognized as the cost of goods sold in 2022 and 2021 amounted to NT \$2,168,397,000 and NT \$2,168,397,000, respectively. In 2022 and 2021, due to the offset of inventories to net realisable value at the end of the period, the recognized inventory falling price loss amounted to NT \$13,698,000 and NT \$15,182,000, respectively, were included under operating costs.

(V) Investment Accounted for Using Equity Method

The investments of the Company using the equity method at the report date are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Subsidiaries	<u><u>\$ 30,007</u></u>	<u><u>26,289</u></u>

1. Subsidiaries

Please refer to 2022 Consolidated Financial Report.

2. Associates

The Company does not have individual significant associates. Therefore, based on the share of gains (losses) of associates enjoyed by the Company, the aggregate disclosure is as follows:

	<u>2021</u>
Net profit (Loss) for the current period	\$ (24,862)
Total comprehensive profit or loss	<u><u>\$ (24,862)</u></u>

In 2022, the Company no longer has any equity method related investments in associates.

As of 2021 Q1, an associate, invested under the equity method, issued new shares, and acquired and merged its subsidiaries, resulting in the shareholding ratio of the Company decreasing from 30.74% to 28.97%. The changes in net equity value were recognized in the capital reserve - the changes in associate recognized under the equity method amounted to NT \$37,626,000.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(VI) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation facilities</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:							
Balance on January 1, 2022	\$ 147,478	72,299	57,748	6,042	596	69,739	353,902
Additions	-	476	3,398	-	-	11,419	15,293
Disposal	-	-	-	-	-	(585)	(585)
Balance on December 31, 2022	<u><u>\$ 147,478</u></u>	<u><u>72,775</u></u>	<u><u>61,146</u></u>	<u><u>6,042</u></u>	<u><u>596</u></u>	<u><u>80,573</u></u>	<u><u>368,610</u></u>
Balance on January 1, 2021	\$ 147,478	70,493	55,531	4,542	596	62,271	340,911
Additions	-	1,806	2,217	1,500	-	7,468	12,991
Balance on December 31, 2021	<u><u>\$ 147,478</u></u>	<u><u>72,299</u></u>	<u><u>57,748</u></u>	<u><u>6,042</u></u>	<u><u>596</u></u>	<u><u>69,739</u></u>	<u><u>353,902</u></u>
Accumulated depreciation:							
Balance on January 1, 2022	\$ -	24,824	47,275	3,599	243	57,371	133,312
Depreciation for current year	-	2,345	2,763	909	42	7,799	13,858
Disposal	-	-	-	-	-	(585)	(585)
Balance on December 31, 2022	<u><u>\$ -</u></u>	<u><u>27,169</u></u>	<u><u>50,038</u></u>	<u><u>4,508</u></u>	<u><u>285</u></u>	<u><u>64,585</u></u>	<u><u>146,585</u></u>
Balance on January 1, 2021	\$ -	23,072	44,560	2,565	201	48,569	118,967
Depreciation for current year	-	1,752	2,715	1,034	42	8,802	14,345
Balance on December 31, 2021	<u><u>\$ -</u></u>	<u><u>24,824</u></u>	<u><u>47,275</u></u>	<u><u>3,599</u></u>	<u><u>243</u></u>	<u><u>57,371</u></u>	<u><u>133,312</u></u>
Book value:							
December 31, 2022	<u><u>\$ 147,478</u></u>	<u><u>45,606</u></u>	<u><u>11,108</u></u>	<u><u>1,534</u></u>	<u><u>311</u></u>	<u><u>15,988</u></u>	<u><u>222,025</u></u>
January 1, 2021	<u><u>\$ 147,478</u></u>	<u><u>47,421</u></u>	<u><u>10,971</u></u>	<u><u>1,977</u></u>	<u><u>395</u></u>	<u><u>13,702</u></u>	<u><u>221,944</u></u>
December 31, 2021	<u><u>\$ 147,478</u></u>	<u><u>47,475</u></u>	<u><u>10,473</u></u>	<u><u>2,443</u></u>	<u><u>353</u></u>	<u><u>12,368</u></u>	<u><u>220,590</u></u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(VII) Right-of-use assets

Details of the changes in the cost and accumulated depreciation of the Company's leased houses and buildings are as follows:

	<u>Buildings</u>
Cost of right-of-use assets:	
Balance on January 1, 2022	\$ 110,228
Additions	34,880
Lease modification	(55)
Disposal	<u>(21,739)</u>
Balance on December 31, 2022	<u>\$ 123,314</u>
Balance on January 1, 2021	\$ 72,299
Additions	39,303
Lease modification	170
Disposal	<u>(1,544)</u>
Balance on December 31, 2021	<u>\$ 110,228</u>
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2022	\$ 76,412
Depreciation for current period	27,649
Disposal	<u>(15,587)</u>
Balance on December 31, 2022	<u>\$ 88,474</u>
Balance on January 1, 2021	\$ 51,351
Depreciation for current period	26,605
Disposal	<u>(1,544)</u>
Balance on December 31, 2021	<u>\$ 76,412</u>
Book value:	
December 31, 2022	<u>\$ 34,840</u>
January 1, 2021	<u>\$ 20,948</u>
December 31, 2021	<u>\$ 33,816</u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(VIII) Intangible Assets

	Computer software
Cost:	
Balance on January 1, 2022	\$ 34,779
Additions in current period	4,520
Balance on December 31, 2022	<u><u>\$ 39,299</u></u>
Balance on January 1, 2021	\$ 26,475
Additions in current period	8,304
Balance on December 31, 2021	<u><u>\$ 34,779</u></u>
Accumulated amortization:	
Balance on January 1, 2022	\$ 27,014
Amortization in current period	5,139
Balance on December 31, 2022	<u><u>\$ 32,153</u></u>
Balance on January 1, 2021	\$ 22,361
Amortization in current period	4,653
Balance on December 31, 2021	<u><u>\$ 27,014</u></u>
Book value:	
Balance on December 31, 2022	<u><u>\$ 7,146</u></u>
Balance on January 1, 2021	<u><u>\$ 4,114</u></u>
Balance on December 31, 2021	<u><u>\$ 7,765</u></u>

Amortisation expenses of intangible assets in 2022 and 2021 which are included under the consolidated statements of comprehensive income:

	2022	2021
Operating costs	\$ 1,161	199
Operating expenses	3,978	4,454
Total	<u><u>\$ 5,139</u></u>	<u><u>4,653</u></u>

(IX) Lease liabilities

The carrying amount of the Company's lease liabilities is as follows:

	2022.12.31	2021.12.31
Current	<u><u>\$ 21,316</u></u>	<u><u>19,598</u></u>
Non-current	<u><u>\$ 13,550</u></u>	<u><u>14,221</u></u>

For maturity analysis, please refer to Note 6 (18) Financial Instruments.

The amount recognized in profit or loss is as follows:

	2022	2021
Interest expenses on lease liabilities	<u><u>\$ 462</u></u>	<u><u>278</u></u>
Short-term lease expenses	<u><u>\$ 307</u></u>	<u><u>171</u></u>
COVID-19-related rent concessions	<u><u>\$ 254</u></u>	<u><u>432</u></u>

The amounts recognized in the cash flow statement are as follows:

	2022	2021
Total cash outflow from leases	<u><u>\$ 28,395</u></u>	<u><u>27,155</u></u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

The lease term for stores and plants of the Company is usually one to three years. The lease term and price are renegotiated at the expiry of the contract term.

The Company rents locomotive parking spaces, these leases are short-term leases, and the Company chooses to apply the exemption without recognizing its relevant right-of-use assets and lease liabilities.

(X) Provision for Liabilities

	Warranty
Balance on January 1, 2022	\$ 4,535
Provision for new liabilities in the current period	5,970
Provision for liabilities used in the current period	<u>(3,650)</u>
Balance on December 31, 2022	<u>\$ 6,855</u>
Balance on January 1, 2021	\$ 7,796
Provision for new liabilities in the current period	933
Provision for liabilities used in the current period	<u>(4,194)</u>
Balance on December 31, 2021	<u>\$ 4,535</u>

The Company's provisions for warranty liabilities in 2022 and 2021 are mainly related to computer sales. The provision for warranty liabilities is estimated based on the historical warranty data of the goods sold. The Company expects that most of the liabilities will occur successively in 1 - 2 years after the sale.

(XI) Employee Benefits

1. Defined benefit plans

Adjustments between the present value of the Company's defined benefit obligations and the fair value of the planned assets are as follows:

	2022.12.31	2021.12.31
Present value of defined benefit obligation	\$ 96,319	110,774
Fair value of planned assets	<u>(67,582)</u>	<u>(57,791)</u>
Net defined benefit liabilities	<u>\$ 28,737</u>	<u>52,983</u>

The Company's defined benefit plan is a special reserve for employee retirement appropriated to the bank of Taiwan. The payment of employee's pension benefit is calculated based on the base number upon the years of service and the average salary of the six months prior to retirement.

(1) Composition of planned assets

The Retirement Fund appropriated by the Company in accordance with the Labor Standards Act, is subject to the unified management by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," as the operation of the fund, the annual minimum income allocated shall not be lower than the accumulated interest calculated at the average yearly rate of the local bank's two-year time deposit rate in the same period.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

As of December 31, 2022 and 2021, the balances of the Company's employee retirement reserve at the Bank of Taiwan accounted for NT \$67,582,000 and NT \$57,791,000, respectively. For information on the utilization of the assets of the Labor Retirement Fund (including the fund's earning rate and asset allocation), please refer to the information published on the website of the Bureau of Labor Fund.

(2) Changes in present value of defined benefit obligations

The changes in present value of the Company's defined benefit obligations are as follows:

	2022	2021
Defined benefit obligations as of January 1	\$ 110,774	114,583
Current service cost	121	276
Interest cost	684	711
Retirement benefits paid - special account for- employee pension reserve	(4,397)	(3,708)
Net remeasurement of defined benefit liabilities		
- Actuarial losses (gains) arising from adjustments based on experience	(810)	(3,398)
- Actuarial losses (gains) arising from changes in demographic assumptions	(10,053)	-
- Actuarial losses (gains) resulting from changes in demographic assumptions	-	2,310
Defined benefit obligations on December 31	<u>\$ 96,319</u>	<u>110,774</u>

(3) Changes in fair value of planned assets

The changes in the fair value of the Company's defined benefit plan assets are as follows:

	2022	2021
Fair value of defined benefit planned assets on \$ January 1	57,791	56,764
Amount allocated to plan	9,234	3,745
Interest income	365	390
Amount of retirement fund paid	(4,397)	(3,708)
Net remeasurement of defined benefit liabilities		
- Return on defined benefit planned assets (excluding current interest)	4,589	600
Fair value of defined benefit planned assets on \$ December 31	<u>67,582</u>	<u>57,791</u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(4) Changes in cap asset effects

The Company had no cap asset effect change in the 2022 defined benefit plan and the 2021 defined benefit plan.

(5) Expense recognized and included in profit or loss

Expenses reported and included as profit or loss by the Company are as follows:

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 121	276
Interest on net defined benefit liabilities	319	321
	<u>\$ 440</u>	<u>597</u>
Operating costs	\$ 175	191
Operating expenses	265	406
	<u>\$ 440</u>	<u>597</u>

(6) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of its defined benefit obligations at the end of the financial reporting period are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.750%	0.625%
Future salary increase rate	3.00%	3.00%

The expected appropriation paid by the Company to the defined benefit plan within one year after December 31, 2022 amounted to NT \$3,670,000.

The weighted average duration of defined benefit plans is 13.35 years.

(7) Sensitivity analysis

As on December 31, 2022 and 2021, the carrying amount of the Company's net defined benefit liabilities was NT \$28,737,000 and NT \$52,983,000, respectively. When the applied discount rate and employee salary adjustment rate increased or decreased by 0.25%, the changes in the present value of the Company's defined benefit obligations as of December 31, 2022 and 2021 are as follows:

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

	2022.12.31			
	Discount rate		Rate of salary changes	
	Increase of	Decrease of	Increase of	Decrease of
	0.25%	0.25%	0.25%	0.25%
Increase (decrease) in present value of defined benefit obligations	\$ (2,030)	2,090	2,022	(1,970)

	2021.12.31			
	Discount rate		Rate of salary changes	
	Increase of	Decrease of	Increase of	Decrease of
	0.25%	0.25%	0.25%	0.25%
Increase (decrease) in present value of defined benefit obligations	\$ (2,638)	2,749	2,634	(2,546)

The above sensitivity analysis is based on the influence of a single assumption change while the others remain unchanged. In practice, changes in many assumptions might be linked. The method adopted for sensitivity analysis is consistent with the method used to calculate the net pension benefit liabilities on the balance sheet.

The methods and assumptions applied in preparing sensitivity analysis in this period are identical to those in the preceding periods.

2. Defined contribution plans

The Company's defined contribution plan is schemed according to the Labor Pension Act, allocated to the Labor Pension Personal Account prescribed by the Bureau of Labor Insurance, at the contribution rate of 6% of the employee's monthly wage. Under such plan, upon appropriation of the fixed amount to the Bureau of Labor Insurance, the Company shall bear no statutory or constructive obligation to pay an additional amount.

Under the defined pension appropriation method, the pension expenses of the Company for 2022 and 2021 amounted to NT \$10,765,000 and NT \$10,373,000, respectively.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(XII) Income Tax

1. Income tax expenses

The details of income tax expenses of the Company for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Income tax expenses in current period		
Incurred in current period	\$ 79,079	100,024
Adjustment of current income tax incurred in the preceding period	<u>(14,838)</u>	<u>3,919</u>
	<u>64,241</u>	<u>103,943</u>
Deferred income tax expenses		
Occurrence and reversal of temporary differences	<u>(571)</u>	<u>53,142</u>
Income tax expenses	<u>\$ 63,670</u>	<u>157,085</u>

Details of income tax expense recognized under other comprehensive profit or loss are as follows:

	<u>2022</u>	<u>2021</u>
Actuarial gains (losses) of defined benefit plan	\$ 3,090	338
Financial assets at fair value through other comprehensive profit or loss	<u>67,069</u>	<u>33,148</u>
Total	<u>\$ 70,159</u>	<u>33,486</u>

Adjustments between the income tax expenses in 2022 and 2021 and the net profit before tax of the Company are as follows:

	<u>2022</u>	<u>2021</u>
Net profit before tax	<u>\$ 291,940</u>	<u>795,277</u>
Income tax calculated at the domestic tax rate of the Company	\$ 58,388	159,055
Effect of tax rate differences in foreign jurisdictions	-	(16,423)
Surtax on undistributed earnings	19,006	2,041
Others	<u>(13,724)</u>	<u>12,412</u>
	<u>\$ 63,670</u>	<u>157,085</u>

2. Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities in 2022 and 2021 are as follows:

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Deferred income tax assets:

	Defined benefit plans	Allowance for Loss on Inventory Valuation	Others	Total
January 1, 2022	\$ 9,528	50,940	6,076	66,544
Statement of profit or loss - credit(Debit)	(1,759)	2,739	(409)	571
Other comprehensive profit or loss -credit(debit)	(3,090)	-	-	(3,090)
December 31, 2022	\$ 4,679	53,679	5,667	64,025
January 1, 2021	\$ 10,496	47,904	6,988	65,388
Statement of profit or loss - credit(Debit)	(630)	3,036	(912)	1,494
Other comprehensive profit or loss -credit(debit)	(338)	-	-	(338)
December 31, 2021	\$ 9,528	50,940	6,076	66,544

Deferred income tax liabilities:

	Investment accounted by equity method	Financial assets at fair value through other comprehensive profit or loss	Total
January 1, 2022	\$ -	137,055	137,055
Other comprehensive profit or loss - debit (credit)	-	67,069	67,069
December 31, 2022	\$ -	204,124	204,124
January 1, 2021	\$ 49,271	-	49,271
Statement of profit or loss - debit (credit)	(49,271)	103,907	54,636
Other comprehensive profit or loss - debit (credit)	-	33,148	33,148
December 31, 2021	\$ -	137,055	137,055

3. The Company has submitted tax return applications until the year of 2020, as prescribed by the tax authority, upon settlement and audit.

(XIII) Capital and Other Equity

1. Capital stock - ordinary shares

As of December 31, 2022 and 2021, the total authorized capital stock of the Company amounted to NT \$700,000,000, with a par value of NT \$10 per share, divided into 70,000 thousand shares, and 58,685 thousand shares were issued.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

2. Capital surplus

	December 31, 2022	December 31, 2021
Premium on share issuance	<u>\$ 72,650</u>	<u>72,650</u>

According to the provisions of the Company Act, the capital surplus must be preferentially used to cover losses before it can be issued to new shares or cash in proportion to the shareholders' original ratio. Realized capital surplus, as referred to in the preceding paragraph, includes the excess of the proceeds of issuing shares over the par value and the gains incurred from gifts received. According to Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the aggregate annual appropriation of the capital surplus available for allocation shall not exceed ten percent of the paid-up capital.

3. Retained earnings

(1) Legal reserve

When there is no loss in the Company, the legal reserve can be used to issue new shares or cash upon resolution at the Shareholders' Meeting, but must be limited to the part of the reserve that has exceeded 25% of the paid-up capital.

(2) Special reserve

In accordance with the provisions of the Financial Supervisory Commission, when the Company distributes distributable earnings, based on the net deduction of other shareholders' equity of the current period, the special reserve of the same amount shall be drawn from the profit or loss of the current period and the undistributed earnings of the previous period; For the net deduction of other shareholders' equity in the previous period, special reserve of the same amount drawn from the undistributed earnings of the previous period shall not be distributed. If other shareholders' equity deduction has been reversed, the surplus may be distributed in accordance with the reversed portion.

(3) Earnings distribution

In accordance with the provisions of the Articles of Incorporation of the Company, if there is any profit in the annual general accounts of the Company, the Company shall withhold the tax to make up the past losses, and withhold a legal reserve by 10%. However, when the legal reserve has reached the amount of the paid-in capital of the Company, it shall not be withheld anymore. In addition, after the special reserve is raised or transferred as required by laws and regulations, the Company shall accumulate the undistributed earnings, and the Board of Directors shall propose the allocation of surplus to the Shareholders' Meeting for resolution and distribution.

The Company's dividend distribution policy is based on the Company's

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

capital budget, medium-term and long-term operational plan and financial position, and is distributed after the resolution of the shareholders' meeting in accordance with the following principles:

A. Except for the distribution of reserve in accordance with the following item B, the company shall not distribute dividends when there is no surplus, but when the legal reserve has exceeded 50% of the total capital, the excess part can be distributed. The distribution of surplus can be made in the form of stock dividends or cash dividends, and the distribution ratio considerations are as follows:

- a. To meet the Company's needs of expanding its scale of operations in the future;
- b. To maintain a balance in the profitability of the Company's earnings per share;
- c. To consider the Company's cash flow and operating earnings situation.

Among them, cash dividends shall account for 20% ~ 100% of the total dividends, and the share dividends shall account for 0% ~ 80% of the total dividends. Upon decision by the Board of Directors, the dividends shall be distributed by the resolution of the shareholders' meeting.

B. When the Company has no distributable surplus available in the current year, or the amount of the surplus is much lower than the surplus distributed by the Company in the preceding year, or distribute all or part of the reserves for financial, business, and operation considerations according to the laws and regulations, or the regulations of the competent authorities.

On June 9, 2022 and July 15, 2021, the Company resolved the earnings distribution plan for 2021 and 2020 through the shareholders' meeting, and the dividends distributed to the owners are as follows:

	2021		2020	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 3.70	<u>217,137</u>	4.50	<u>264,085</u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

On March 23, 2023, the Company's Board of Directors proposed the Company's surplus distribution scheme of 2022 as follows:

	2022	
	Dividend per share (NT\$)	Amount
Dividends distributed to owners of ordinary shares:		
Cash	\$ 3.60	<u><u>211,361</u></u>

4. Other equity (net after-tax)

	Unrealized gain or loss on financial assets at fair value measurement through other comprehensive profit or loss	Remeasurement of defined benefit plan	Total
Balance on January 1, 2022	\$ 124,064	(19,010)	105,054
Unrealized gains on financial assets at fair value measurement through other comprehensive profit or loss	263,410	-	263,410
Determination of net after tax actuarial gains and losses of benefit plans	-	12,362	12,362
Balance on December 31, 2022	<u><u>\$ 387,474</u></u>	<u><u>(6,648)</u></u>	<u><u>380,826</u></u>

	Unrealized gain or loss on financial assets at fair value measurement through other comprehensive profit or loss	Remeasurement of defined benefit plan	Other comprehensive profit or loss of associates recognized by equity method	Total
Balance on January 1, 2021	\$ (9,783)	(20,360)	(14,798)	(44,941)
Other comprehensive profit or loss of associates recognized by equity method	-	-	14,798	14,798
Unrealized gains on financial assets at fair value measurement through other comprehensive profit or loss	133,847	-	-	133,847
Determination of net after tax actuarial gains and losses of benefit plans	-	1,350	-	1,350
Balance on December 31, 2021	<u><u>\$ 124,064</u></u>	<u><u>(19,010)</u></u>	<u><u>-</u></u>	<u><u>105,054</u></u>

(XIV) Earnings Per Share

1. Basic earnings per share

	2022	2021
Net profit attributable to shareholders of ordinary shares of the Company	<u><u>\$ 228,270</u></u>	<u><u>638,192</u></u>
Weighted average ordinary shares outstanding (thousand shares)	<u><u>58,685</u></u>	<u><u>58,685</u></u>
Basic earnings per share (NT\$)	<u><u>\$ 3.89</u></u>	<u><u>10.87</u></u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

2. Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Net profit attributable to shareholders of ordinary shares of the Company	<u>\$ 228,270</u>	<u>638,192</u>
Weighted average ordinary shares outstanding (thousand shares)	58,685	58,685
Effect of employee remuneration	<u>861</u>	<u>866</u>
Weighted average ordinary shares outstanding (after adjustment for the effect of dilutive potential ordinary shares)	<u>59,546</u>	<u>59,551</u>
Diluted earnings per share (NT\$)	<u>\$ 3.83</u>	<u>10.72</u>

(XV) Income from Clients' Contracts

1. Income breakdown

	<u>2022</u>	<u>2021</u>
Markets at major sales Territories:		
Taiwan	\$ 1,989,277	2,190,377
Germany	336,373	383,951
Sweden	117,723	112,526
U.S.	195,646	60,538
Others	<u>67,951</u>	<u>60,166</u>
Total	<u>\$ 2,706,970</u>	<u>2,807,558</u>
Major products/service lines:		
Commercial computer	\$ 1,790,672	1,860,691
Rugged computer	846,588	768,811
Maintenance services and others	<u>69,710</u>	<u>178,056</u>
	<u>\$ 2,706,970</u>	<u>2,807,558</u>

2. Contract Balance

	<u>2022.12.31</u>	<u>2021.12.31</u>	<u>2021.1.1</u>
Notes and accounts receivable	\$ 107,212	72,455	187,192
Less: loss allowance	<u>-</u>	<u>(723)</u>	<u>(723)</u>
Total	<u>\$ 107,212</u>	<u>71,732</u>	<u>186,469</u>
Contract liabilities (including related parties) — products sales	<u>\$ 246,664</u>	<u>263,911</u>	<u>222,333</u>

For disclose details on the notes and accounts receivable and impairment thereof, please refer to Note 6 (3).

Contract liabilities are mainly generated by advance receipts from the sale of rugged computers, which will be transferred to income by the Company at the delivery of products. The opening balance of contractual liabilities as at 1 January 2022 and 2021 were recognized as income in 2022 and 2021 at NT \$87,474,000 and NT \$110,762,000, respectively.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(XVI) Remuneration to Employees and Directors

In accordance with the provisions of the Articles of Incorporation of the Company, in case of profit earned in the year, 5% ~ 10% of the profit shall be allocated as employee's remuneration, while no more than 3% of the profit shall be allocated as the director's remuneration. However, in case of accumulated losses, the Company shall withhold the amount to make up. The recipients of the employee remuneration in stock or cash in the preceding paragraph include employees at subsidiaries who meet certain criteria.

The estimated amount of employee remuneration of the Company in 2022 and 2021 is NT \$31,608,000 and NT \$42,242,000, respectively, and the estimated amount of director remuneration is NT \$6,335,000 and NT \$7,312,000, respectively. The estimated amount is calculated on the net Profit before tax of the Company, without deducting employee remuneration and director remuneration, and multiplied by the distribution percentages of employee remuneration and director remuneration, as prescribed by the Articles of Incorporation of the Company. It is recognized and included as operating cost or operating expenses for 2022 and 2021. If the employee remuneration is issued in the form of shares, the number of shares allotted shall be calculated based on the closing market price of ordinary shares on the day ahead of the meeting of Board of Directors. In case of a difference between the actual amount allocated and the estimated amount, it shall be treated as a change in accounting estimates.

The remuneration of employees and directors assigned by the resolution of the Board of Directors of the Company does not differ from the aforementioned amount estimated in the 2022 and 2021 financial statements of the Company, and is fully distributed in cash. For relevant information, please refer to the Market Observation Post System (MOPS).

(XVII) Non-operating income and expenses

1. Interest income

	<u>2022</u>	<u>2021</u>
Interest income		
Interest on bank deposits	\$ 2,838	2,130
Other interest income	5,989	6,103
	<u>\$ 8,827</u>	<u>8,233</u>

2. Other Income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 16,338	8,844
COVID-19-related rent reductions	254	432
Others	1,502	1,180
	<u>\$ 18,094</u>	<u>10,456</u>

3. Other Gains and Losses

	<u>2022</u>	<u>2021</u>
Loss on foreign currency exchanges	\$ 13,155	(5,719)
Gains on financial assets measured at fair value through profit or loss	225	357
Others	3	(9)
	<u>\$ 13,383</u>	<u>(5,371)</u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

4. Financial Costs

	<u>2022</u>	<u>2021</u>
Interest expenses		
Lease liabilities	\$ (462)	(278)
Others	(17)	(26)
	<u>\$ (479)</u>	<u>(304)</u>

(XVIII) Financial Instruments

1. Types of Financial Instruments

(1) Financial assets

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at fair value through profit or loss - current:		
Monetary funds	\$ 20,030	120,065
Financial assets measured at fair value through other comprehensive profit or loss - non-current:		
Unlisted (OTC-listed) company shares	19,819	24,683
Foreign-listed company shares	1,034,681	699,339
Financial assets measured at amortisation cost:		
Cash and cash equivalents	428,173	445,347
Notes and accounts receivable (including related parties)	107,212	71,732
Other financial assets - current	206,100	246,020
Other non-current assets - refundable deposits	5,050	5,051
Total	<u>\$ 1,821,065</u>	<u>1,612,237</u>

(2) Financial Liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial liabilities at amortisation cost:		
Lease liabilities	\$ 34,886	33,819
Payables	298,795	242,766
Total	<u>\$ 333,681</u>	<u>276,585</u>

2. Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount of credit risk exposure. As of December 31, 2022, and December 31, 2021, the maximum credit risk exposure amount of the Company amounted to NT \$1,821,065,000 and NT \$1,612,237,000, respectively.

(2) Concentration of credit risk

A significant concentration of credit risk that occurs when the trading counterpart to a financial instrument has a significant concentration of one person, or when there are several counterparts to a financial instrument. Most of them are engaged in similar commercial activities and have similar economic characteristics, so their ability to perform their contracts is similarly affected by

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

economic or other conditions. As of December 31, 2021, and December 31, 2020, the net amount of accounts receivable (including accounts receivable of associates) of the Company amounted to 89% and 86%, respectively. The amount was composed of four clients, which resulted in the concentration of credit risk of the Company. In order to reduce credit risk, the Company continuously evaluated the financial situation of clients and strictly supervised the credit line.

3. Liquidity risk

The contract maturity date of the Company's financial liabilities, including the estimated interest, is analyzed as follows:

	Contractual cash flows	Less than 6 months	6 -to 12 months	1 -to 2 years	2- to 5 years	Over 5 years
December 31, 2022						
Notes and accounts payable (including related parties)	\$ (200,336)	(200,336)	-	-	-	-
Lease liabilities	(35,335)	(13,896)	(7,719)	(9,087)	(4,633)	-
Other payables (including related parties)	(98,459)	(98,459)	-	-	-	-
	\$ (334,130)	(312,691)	(7,719)	(9,087)	(4,633)	-
December 31, 2021						
Notes and accounts payable (including related parties)	\$ (135,105)	(135,105)	-	-	-	-
Lease liabilities	(34,357)	(13,174)	(6,709)	(7,807)	(6,667)	-
Other payables (including related parties)	(107,661)	(107,661)	-	-	-	-
	\$ (277,123)	(255,940)	(6,709)	(7,807)	(6,667)	-

The Company does not expect that the cash flow analyzed on the maturity date will occur significantly earlier, or that the actual amount will be significantly different.

4. Foreign exchange rate risk

(1) Risk exposures of foreign exchange rate risk

The financial assets and liabilities of the Company exposed to significant foreign currency exchange rate risks are as follows:

	2022.12.31			2021.12.31		
	Foreign currencies	Exchange rate	NT\$	Foreign currencies	Exchange rate	NT\$
Financial assets						
Monetary item						
US\$	\$ 4,819	30.17	147,991	5,363	27.68	148,448
Financial Liabilities						
Monetary item						
US\$	18	30.17	553	9	27.68	249

Please refer to Note 6 (2) for information on exchange rate risk of non-monetary foreign currency assets.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(2) Sensitivity analysis

The exchange rate risk of the Company is mainly derived from cash and cash equivalents denominated in foreign currencies, accounts receivable (including related parties), accounts payable, and other payables (including related parties), where gains and losses may occur at foreign currency exchange. As of December 31, 2022 and 2021, at the premise that the NT\$ depreciation or appreciation against US\$ by 1%, while all other factors remain unchanged, the net profit before tax for 2022 and 2021 will increase or decrease by NT \$1,474,000 and NT \$1,482,000, respectively. The two phases of the analysis were based on the same basis.

(3) Exchange gains or losses incurred from monetary items

The exchange gains and losses of the monetary items of the Company are mainly incurred from the foreign currency transactions denominated in US\$, at the conversion into NT\$. As of December 31, 2022, and December 31, 2021, the amount of unrealized exchange losses and rate of foreign currency transactions denominated in US\$ are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Unrealized foreign exchange losses (gains) at the end of the period	\$ (4,302)	1,917
Exchange rate at the end of the period	30.71	27.68

5. Interest rate risk

As at 31 December, 2022 and 2021, the Company had no interest-bearing debt obligation, and the change in interest rate did not have significant influence on the Company's financial assets value. Therefore, the Company's management believes that the change in interest rate has no significant influence on the short-term profit or loss of the Company.

6. Fair value information

(1) Financial instruments not measured at fair value

The Company's management believes that the carrying amounts of financial assets and financial liabilities measured at amortised cost are close to their fair values in the Parent Company Only Financial Statements of Mildef Crete Inc.

(2) Financial instruments measured at fair value

The Company's financial assets are measured at fair value through profit or loss and other comprehensive profit or loss, is measured at fair value on the basis of repeatability. Each fair value hierarchy is defined as follows:

- A. Level 1: Public offer price (unadjusted) of identical assets or liabilities in active market.
- B. Level 2: The input parameters of the asset or liability are observable directly

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(i.e. at price) or indirectly (i.e. derived from price), except for the public offer price included in Level 1.

- C. Level 3: The input parameters of an asset or liability are not based on observable market information (non-observable parameters).

		2022.12.31			
		Fair value			Total
	Carrying amount	Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss - current					
Monetary funds	\$ 20,030	20,030	-	-	20,030
Financial assets measured at fair value through other comprehensive profit or loss - non-current					
Unlisted (OTC-listed) company shares	\$ 19,819	-	-	19,819	19,819
Foreign-listed company shares	1,034,681	1,034,681	-	-	1,034,681
	\$ 1,054,500	1,034,681	-	19,819	1,054,500
		2021.12.31			
		Fair value			Total
	Carrying amount	Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss - current					
Monetary funds	\$ 120,065	120,065	-	-	120,065
Financial assets measured at fair value through other comprehensive profit or loss - non-current					
Unlisted (OTC-listed) company shares	\$ 24,683	-	-	24,683	24,683
Foreign-listed company shares	699,339	699,339	-	-	699,339
	\$ 724,022	699,339	-	24,683	724,022

There is no fair-value measured financial assets and liabilities hierarchy transferring in 2022 and 2021.

(3) Fair value valuation techniques of financial instruments measured at fair value

If there is a market offer price to financial instrument at an active market, the market offer price will be taken as fair value.

The monetary funds and equity instruments of foreign-listed shares held by the Company conform to the standard terms and conditions, and are traded on active markets. The fair value is determined by reference to quoted market price.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the offer prices of the transaction counterparties. The fair value is obtained through the valuation technique calculated by referring to the current fair value of other financial instruments with similar material conditions and characteristics, the cash flow discount method or other valuation techniques, including the calculation based on the market information acquirable on the balance sheet date by using models.

The unlisted (OTC-listed) shares held by the Company on non-active market are measured at fair value by using the cash flow discounting model. The main assumption is that the Company's expected future cash flow from investees is measured at the discount rate, reflecting the time value of money and the return rate of investment risk.

(4) Details of changes in the level 3

	Financial assets at fair value through other comprehensive profit or loss Equity instruments
January 1, 2022	\$ 24,683
Total profit or loss	
Recognized in other comprehensive profit or loss	(4,864)
December 31, 2022	<u><u>\$ 19,819</u></u>
January 1, 2021	\$ 23,431
Total profit or loss	
Recognized in other comprehensive profit or loss	1,252
December 31, 2021	<u><u>\$ 24,683</u></u>

The above total profit or loss is recognized and included under “Unrealized valuation gains on equity instrument investments measured at fair value through other comprehensive profit or loss” in the statement of comprehensive income.

(5) Quantitative Information on Fair Value Measurement of Significant Non-Observable Value (Level 3)

The Company's financial instruments measured at fair value and classified as Level 3 are financial assets measured at fair value through other comprehensive profit or loss.

The list of quantitative information for significant non-observable input values is as follows:

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Item	Valuation technique	Significant non-observable input	Relation of significant non-observable input value at fair value
Financial assets at fair value through other comprehensive profit or loss (OTC-listed) company shares	Cash flow discounting method	• Shareholders' equity capital cost ratio (7.56% on December 31, 2022; 8.55% on December 31, 2021)	• The higher the cost ratio of shareholders' equity funds, the lower the fair value

- (6) For Level 3 fair value measurement, sensitivity analysis of fair value to reasonable and possible alternative assumptions

The Company's fair value measurement of financial instruments is reasonable. However, the adoption of different valuation approaches or valuation parameters may result in different valuation results. For the financial instruments classified as Level 3 in 2022 and 2021, in case of changes in the valuation parameters, the impact on other comprehensive profit or loss in the current period is as follows:

			Changes of fair value reflected in other comprehensive profit or loss	
	<u>Input value</u>	Increase or decrease change	<u>Favorable change</u>	<u>Unfavor-able change</u>
December 31, 2022				
Financial assets at fair value through other comprehensive profit or loss				
Unlisted (OTC-listed) company shares	Cost ratio of shareholders' equity capital	0.25%	<u>\$ 126</u>	<u>124</u>
December 31, 2021				
Financial assets at fair value through other comprehensive profit or loss				
Unlisted (OTC-listed) company shares	Cost ratio of shareholders' equity capital	0.25%	<u>\$ 156</u>	<u>154</u>

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Favorable and adverse changes in the Company refer to fair value fluctuations, which are using valuation techniques based on different degrees of unobservable input parameters. If the fair value of a financial instrument is affected by more than one input value, the statement above only reflects the effect of changes in the single input value, without taking the correlation and variability between the input values into account.

(XIX) Financial Risk Management

The Company is exposed to credit risk, liquidity risk, and market risk (including exchange rate risk, interest rate risk, and other price risks) as a result of its business activities. This note presents the Company's risk exposure information for each of the above risks and the Company's objectives, policies, and procedures for measuring and managing the risks. Further quantitative disclosures are provided in the notes to the financial statements.

The Board of Directors of the Company is responsible for developing and controlling of the Company's risk management policy. The establishment of the risk management policies is aimed at recognizing and analyzing the risks of the Company, setting the appropriate risk limits and controls, and supervising compliance of the risk controls and risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and operation of the Company.

The Company supervises and reviews financial activities in accordance with relevant regulations and internal control policies. The internal auditors serve a supervisory role and regularly report the results to the Board of Directors.

1. Credit risk

The Company's credit risk is referred to the risk of financial losses incurred due to the inability of clients or transaction counterparts to meet their contractual obligations, mainly derived from cash, cash equivalents, and fund beneficiary certificates - monetary funds, accounts receivable, and other financial instruments. The Company's bank deposits are all deposited in public and large-scale private financial institutions with good reputation; the fund beneficial certificates held are issued by companies with good reputation, without major contractual obligation doubts. Therefore, the Company's bank deposits and the fund beneficial certificates held are considered free from significant credit risk.

The Company has established a credit policy under which each client is individually analyzed for its financial position to determine its credit limit, with continuous and regular evaluation of the client's financial position.

2. Liquidity risk

Liquidity risk is the risk that occurs when the Company fails to deliver cash or other financial assets to settle its financial liabilities and perform its relevant obligations. The capital and working capital of the Company are sufficient to meet all contractual obligations. Therefore, there is no liquidity risk of being unable to raise funds to meet contractual obligations.

3. Market risk

Market risk occurs when the changes in market prices, such as exchange rates, interest rates, and equity instrument prices, may affect the Company's income or the value of financial instruments held. The objective of market risk management is to control the degree of market risk exposure within an acceptable extent and optimize the return on investment.

(1) Exchange rate risk

The Company is exposed to exchange rate risk arising from sales and purchasing transactions that are not denominated in the functional currency (NT\$) of the Company. The major currency in which these transactions are denominated in US\$. However, the net position of the Company's foreign currency assets and liabilities is usually not significant. Therefore, in addition to continuously controlling the Company's foreign currency net risk exposure position at an acceptable level, the Company's management believes that the Company's exchange rate risk is not material.

(2) Interest rate risk

The Company mainly operates with its funds, without interest-bearing debt obligations, and the value of financial assets held is not materially affected by the changes in interest rates. Therefore, the Company's management believes that the company's interest rate risk is not material.

(3) Other market risks

The Company is exposed to the risk of changes in the price of equity arising from investments in equity securities of publicly quoted entities, which are not held for trading, but long-term strategic investments.

The Company holds stable yields and insignificant price risk characterize monetary funds. Therefore, the Company does not expect significant market risk for the monetary funds held.

In addition, the shares of non-listed (OTC-listed) companies held by the Company had historically-stable operating results, which generated continuous dividend income for the Company. Therefore, the Company's management believes that its short-term market risk is not significant.

The sensitivity analysis of equity instrument price risk is based on changes in fair value at the end of the financial reporting period. If the price of the equity

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

instruments increase/decrease by 5%, the amount of other comprehensive profit or loss for 2022 and 2021 would have increased/decreased by NT \$51,734,000 and NT \$34,967,000, respectively.

(XX) Capital Management

Based on the current operating characteristics of the industry and the prospect of the Company, taking the changes in the external environment and other factors into account, the Company planned the working capital, research and development expenses, dividend expenses, and other needs to ensure the continuous operation of the Company, rewarding shareholders while taking into account the interests of other stakeholders, and maintained an optimal capital structure to enhance shareholder value in the long term.

The capital and liability ratio on the reporting date is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Total liabilities	\$ 856,664	789,534
Less: cash and cash equivalents	428,173	445,347
Net liabilities	<u>\$ 428,491</u>	<u>344,187</u>
Total equity	<u>\$ 2,413,121</u>	<u>2,126,217</u>
Capital and liability ratio	<u>17.76%</u>	<u>16.19%</u>

There has been no significant change in the Company's capital management during year 2022.

(XXI) Investment and financing activities for non-cash transactions

1. For acquisition of right-of-use by asset lease, please refer to Note 6 (7).
2. Adjustment of liabilities arising from financing activities is as follows:

			Changes in non-cash items		
	<u>2022.1.1</u>	<u>Cash flows</u>	<u>Additions</u>	<u>Decrease</u>	<u>2022.12.31</u>
Lease liabilities	<u>\$ 33,819</u>	<u>(27,626)</u>	<u>34,825</u>	<u>(6,152)</u>	<u>34,866</u>

			Changes in non-cash items		
	<u>2021.1.1</u>	<u>Cash flows</u>	<u>Additions</u>	<u>Decrease</u>	<u>2021.12.31</u>
Lease liabilities	<u>\$ 21,053</u>	<u>(26,706)</u>	<u>39,472</u>	<u>-</u>	<u>33,819</u>

VII. Related Party Transactions

(I) Name of related party and relations

During the period covered by this parent company only financial statements, the related parties and subsidiaries who had transactions with the Company are as follows:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Flexbasis Technology Inc.	Subsidiaries of the Company
MilDef Group AB (Note)	Associates of the company(Note)
MilDef Products AB	Subsidiary of MilDef Group AB (Note)
MilDef Ltd.	Subsidiary of MilDef Group AB (Note)
MilDef, Inc.	Subsidiary of MilDef Group AB (Note)
Roda Computer GmbH	The Company is one of the three shareholders of this company.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(Note) The Company has lost significant influence over MilDef Group AB since June 2021, and it is no longer an associate of the Company.

(II) Significant transactions with related parties

1. Operating income

	<u>2022</u>	<u>2021</u>
Associates	\$ -	58,895
Other related parties		
Roda Computer GmbH	336,373	376,504
	<u>\$ 336,373</u>	<u>435,399</u>

The sales conditions of the Company to related parties are not significantly different from those of general clients, and the collection period is about 30 to 60 days.

2. Purchase

	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 65,547</u>	<u>74,085</u>

The transaction conditions and payment terms of the Company's purchases from related parties are not significantly different from those of general manufacturers.

3. Accounts receivable from related parties

	<u>2022.12.31</u>	<u>2021.12.31</u>
Other related parties		
Roda Computer GmbH	<u>\$ 11,683</u>	<u>6,376</u>

4. Accounts payable to related parties (accounted as accounts payable)

	<u>2022.12.31</u>	<u>2021.12.31</u>
Subsidiaries	<u>\$ 3,479</u>	<u>7,287</u>

5. Contractual liabilities of associates (accounted as contractual liabilities)

	<u>2022.12.31</u>	<u>2021.12.31</u>
Other related parties		
Roda Computer GmbH	<u>\$ 53,593</u>	<u>76,680</u>

6. Maintenance and other income

	<u>Maintenance and other income</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ -	3,083
Other related parties	3,490	7,382
	<u>\$ 3,490</u>	<u>10,465</u>

All receivables from the above transactions have been received.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

7. Technical Service Fees, Maintenance Fees, and Other Payables

	Technical Service Fees, Maintenance Fees, and Other		Other payables to related parties	
	2022	2021	2022.12.31	2021.12.31
Associates	\$ -	4,184	-	-
Other related parties	1,024	857	2,010	-
	\$ 1,024	5,041	2,010	-

(III) Remuneration to Major Management Personnel

	2022	2021
Short-term employee benefits	\$ 17,314	17,904
Post-employment benefits	108	106
	\$ 17,422	18,010

VIII. Pledged Assets

The detailed book value of the assets pledged and guaranteed by the Company are as follows:

Name of asset	Pledge guarantee subject	2022.12.31	2021.12.31
Time deposit	Tariff guarantee	\$ 200	200

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments: None.

X. Significant Catastrophic Losses: None

XI. Major Events after the Reporting Period

On January 5, 2023, the Company invested AU \$600,000 to establish MILDEF CRETE AUSTRALASIA PTY. LTD., The company is mainly responsible for sales in Australia and Southeast Asia.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

XII. Others

Employee benefits, depreciation, and amortisation expenses by functions are summarized as follows:

By function By nature	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits expenses						
Salary and wages	73,503	162,265	235,768	77,883	171,625	249,508
Labor and health insurance	6,886	15,570	22,456	6,807	15,282	22,089
Pension	3,326	7,879	11,205	3,252	7,718	10,970
Directors' remuneration	-	6,501	6,501	-	7,380	7,380
Other employee benefits expenses	799	1,908	2,707	797	2,010	2,807
Depreciation expense	11,984	29,523	41,507	12,385	28,565	40,950
Amortization expense	1,161	3,978	5,139	199	4,454	4,653

The additional information on the employee number and employee benefits expenses of the Company in 2022 and 2021 are as follows:

	2022	2021
Number of employees	<u>297</u>	<u>308</u>
Number of directors who are not current employees	<u>6</u>	<u>6</u>
Average employee benefits expense	<u>\$ 935</u>	<u>945</u>
Average employee remuneration expense	<u>\$ 810</u>	<u>826</u>
Adjustment of average employee remuneration expense	<u>(1.94)%</u>	<u>7.55%</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

Information on the Company's remuneration policy (including directors, managers, and employees) is as follows:

- (I) The Company has established a Remuneration Committee, which is responsible for reviewing the Company's overall remuneration, the remuneration of directors, senior managers, and the form of remuneration payment.
- (II) The directors of the Company are unpaid officers, and their remuneration shall be paid in accordance with Article 20 of the Articles of Incorporation. The performance policy rationality of the remuneration of director is mainly based on the approach and procedure for the performance evaluation of the Board of Directors, the overall operational performance of the Company, and the future operational needs and development of the industry. Reasonable remuneration shall be given, taking the contribution of individuals

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

to the operation of the Company into consideration, subject to the professional deliberation of the Remuneration Committee, and to be reviewed and approved by the Board of Directors.

- (III) The remuneration paid to the independent directors of the Company shall be reasonable based on the evaluation results of the "Remuneration Management Measures for Directors and Managers", considering the time invested by individual independent directors. The remuneration standard and composition of independent directors shall be reported to the Board of Directors for resolution after being approved by the Remuneration Committee. The remuneration paid to the independent directors of the Company shall be reasonable based on the evaluation results of the "Remuneration Management Measures for Directors and Managers", considering the time invested by individual independent directors. The remuneration standard and composition of independent directors shall be reported to the Board of Directors for resolution after being approved by the Remuneration Committee.
- (IV) The appointment, dismissal and remuneration of the general manager and deputy general manager of the Company shall be approved by the Board of Directors in accordance with the regulations of the Company. The remuneration standard shall be agreed upon by Human Resource Department of the Company in accordance with the relevant policies of the Company's performance evaluation, based on individual performance and contribution to the overall operation of the Company, as well as the principles of the market standard, and shall be proposed to the Board of Directors after the resolution of the Remuneration Committee and approved by the Board of Directors.
- (V) The Company's employee remuneration policy is based on the individual's competence, contribution to the Company, and performance. It is positively correlates with operating performance. The overall remuneration package mainly includes basic salary, bonuses, and employee remuneration. As for the standard of remuneration, the basic salary is determined based on the market review of the employee's position; the bonus and employee remuneration are issued in connection with the achievement of employee, department goals or the Company's business performance.

XIII. Notes to Disclosures

- (I) Information related to significant transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, in 2022, the Company shall disclose relevant information of significant transactional items as follows:

1. Funds lent to others: none.
2. Endorsement for others: none.
3. Description of marketable securities held at the end of the period (excluding interests in invested subsidiaries, associates, and joint venture equity):

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

Unit: In thousands of shares/thousands of units/NT\$ thousand

Company	Type and name of securities held	Relations with the securities issuer	Account	End of the period			
				Number of shares	Carrying amount	Shareholding ratio	Fair value/net worth
The Company	Roda Computer GmbH shares	The Company is one of the three shareholders of this company	Financial assets measured at fair value through other comprehensive profit or loss - non-current	-	18,819	8.00 %	18,819
The Company	Alliance Technology Co., Ltd. shares	-	"		1,000	0.79 %	1,000
The Company	Mildef Group AB Shares	-	"	4	1,034,681	10.93 %	1,034,681
The Company	Hua Nan Kirin Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	1	20,030	-	20,030

4. Acquisition of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: none.
5. Disposal of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: none.
6. The amount of goods purchased or sold with related parties amounts to NT \$100 million or 20% or more of the paid-in capital:

Unit: NT\$ thousand

Goods purchasing (sales) company	Name of trading counterpart	Relationships	Transaction details				Situation and reason why transaction conditions are different from general trading		Notes and accounts receivable (payable)		Remark
			Purchase (sales) of goods	Amount	Percentage of total goods purchasing (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total notes or accounts receivable (payable)	
The Company	Roda Computer GmbH	The Company is one of the three shareholders of this company	Sale of goods	336,373	12.43 %	Delivered in 45 days.	-	-	11,683	10.90%	

7. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: none.
8. Engaged in derivative transactions: none

(II) Information on Investees:

The information on the Company's reinvestment business in 2021 is as follows:

Unit: thousands of shares/NT\$ thousand

Name of investor	Name of investee	Location	Main business	Initial investment amount		Holding in the end of the period			Profit or loss of investee in the current period	Recognized profit or loss in the period	Remark
				End of the current period	End of the previous period	Number of shares	Percentage	Carrying amount			
The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing	27,208	27,208	2,416	65.30%	30,007	21,886	13,382	(Note)

Note: It has been eliminated in the consolidated financial statements.

(III) Information on Investment in Mainland China: None.

Notes to Parent Company Only Financial Statements of Mildef Crete Inc. (continued)

(IV) Information on major shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding percentage
Shen Yi-tong		3,126,244	5.32%

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, on the data that the shareholder holds more than 5% of the total ordinary share and preference share of the Company (including treasury shares) that have completed the intangible registration and delivery. As for the number of capital stock recorded in the Company's financial statements and the number of shares actually registered and delivered without entity physical registration may be different due to the basis of preparation and calculation.

XIV. Division Information

Please refer to the 2022 Consolidated Financial Report.

Mildef Crete Inc.
Detailed Statement of Cash and Cash Equivalents

December 31, 2022

Unit: NT\$ thousand

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty cash		\$ 372
Bank deposits		
Check deposit		4,049
Demand deposits		364,008
Foreign currency deposits	US \$1,945,000 × exchange rate 30.71	59,738
Foreign currency deposits	Others	<u>6</u>
		<u><u>\$ 428,173</u></u>

**Financial assets measured at fair value through
profit or loss - current details**

<u>Name of Financial Instrument</u>	<u>Description</u>	<u>Number of Units (Thousands of Units)</u>	<u>Acquisition cost</u>	<u>Fair value</u>		<u>Remark</u>
				<u>Unit price</u>	<u>Total amount</u>	
Hua Nan Kirin Money Market Fund	Monetary funds	1,213	<u>\$ 20,000</u>	16.5195	<u>20,030</u>	

Mildef Crete Inc.
Detailed Statement of Accounts Receivable

December 31, 2022

Unit: NT\$ thousand

<u>Client name</u>	<u>Amount</u>
Non-related parties:	
MilDef Ltd.	\$ 28,754
MilDef Inc.	28,120
MilDef Products AB	19,707
Syntrend Creative Park Co., Ltd.	18,811
Others (for amount less than 5% of the balance of the current account)	<u>137</u>
Total	<u><u>\$ 95,529</u></u>
Related parties:	
Roda Computer GmbH	<u><u>\$ 11,683</u></u>

Detailed Statement of Inventories

<u>Item</u>	<u>Amount</u>	
	<u>Book value(Note)</u>	<u>Net realisable value</u>
Goods	\$ 181,895	183,756
Finished goods	3,051	7,673
Semi-finished goods	153,820	153,820
Work in process	231,888	231,888
Raw materials	<u>495,014</u>	<u>495,014</u>
Total	<u><u>\$ 1,065,668</u></u>	<u><u>1,072,151</u></u>

Note: Note: Net amount upon the deduction of allowance for inventory valuation losses

Mildef Crete Inc.

Detailed Statement of Other Current Assets

December 31, 2022

Unit: NT\$ thousand

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivables	Advertising fees receivable and incentive payments receivable from suppliers	\$ 11,565
Prepaid expenses	Prepaid rent, insurance expense, office repair expense	4,839
Tax refund receivable	Refundable business tax	3,928
Prepayment for goods	Prepayment for molding	3,433
Others (for amount less than 5% of the balance of the current account)		<u>1,244</u>
Total		<u><u>\$ 25,009</u></u>

Detailed Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss - Non-current

1 January - 31 December, 2022

<u>Name</u>	<u>Beginning of period</u>		<u>Increase in the current period</u>		<u>Decrease in the current period</u>		<u>End of the period</u>		<u>Provision of guarantees or pledges Description of pledge</u>
	Number of shares (thousand shares)	Fair value	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Fair value	
Roda Computer GmbH	-	\$ 23,683	-	-	-	(5,864)	-	18,819	None
Mildef Group AB	4,356	699,339	-	335,342 (Note)	-	-	4,356	1,034,681	None
Alliance Technology Co., Ltd	100	<u>1,000</u>	-	-	-	-	100	<u>1,000</u>	None
		<u><u>\$ 724,022</u></u>		<u><u>335,342</u></u>		<u><u>(5,864)</u></u>		<u><u>1,054,500</u></u>	

(Note) Increase in fair value assessment.

Mildef Crete Inc.

**Detailed Statement of Changes in Investments by the Equity
Method**

1 January - 31 December, 2022

Unit: NT\$ thousand/thousands of shares

Name	Opening balance		Increase in the current period		Decrease in the current period		Gains (losses) on investment Recognized and Included under Equity Method	Exchange differences in conversion of the Financial Statements of Foreign Operations	Closing balance			Net value of equity		Provision of guarantee or pledge situation
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount			Number of shares	Sharehold ing percentag e	Amount	Unit price	Total price	
Flexbasis Technology Inc.	2,416	<u>\$ 26,289</u>	-	<u>-</u>	-	<u>(9,664)</u>	<u>13,382</u>	<u>-</u>	2,416	65.30%	<u>30,007</u>	12.42	<u>30,007</u>	None

(Note)

Note: It is cash dividend of NT \$9,664,000 distributed on earnings.

Mildef Crete Inc.

Detailed Statement of Other Non-current Assets

December 31, 2022

Unit: NT\$ thousand

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Refundable deposits	Guarantee deposits for stores and plant buildings, operating guarantees, tariff guarantees, etc	<u>\$ 5,050</u>

Detailed Statement of Notes Payable

<u>Manufacturer name</u>	<u>Description</u>	<u>Amount</u>
Q-i Trade International Co., Ltd.	Purchase	\$ 7,997
Lianzaki Precision Industry Co., Ltd.	"	3,244
LM PCB Co., Ltd.	"	2,419
Fu Mao Precision Technology Co., Ltd.	"	2,420
Others (for amount less than 5% of the balance of the current account)	"	<u>31,590</u>
		<u>\$ 47,670</u>

Detailed Statement of Accounts Payable

<u>Manufacturer name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties		
Synnex Technology International Corporation	Purchase	\$ 63,897
Acer Inc.	"	22,318
Aetina Corporation	"	14,195
Others (for amount less than 5% of the balance of the current account)	"	48,777
Related parties		<u>3,479</u>
		<u>\$ 152,666</u>

Mildef Crete Inc.
Detailed Statement of Payable

December 31, 2022

Unit: NT\$ thousand

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Salary payable		\$ 34,427
Employee dividends payable		31,608
Remuneration payable to directors		6,335
Payable bonus for unused off-day		17,116
Labor Insurance Premiums Payable		2,399
Others		4,564
Total		<u><u>\$ 96,449</u></u>

Detailed Statement of Other Current Liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Collection on behalf of others		\$ 392
Temporary payout		1
Total		<u><u>\$ 393</u></u>

Detailed Statement of Lease Liabilities

<u>Item</u>	<u>Description</u>	<u>Lease Period</u>	<u>Discount rate</u>	<u>Closing balance</u>	<u>Remark</u>
Buildings		2017/7-2025/12	1.35%	<u><u>\$ 34,866</u></u>	
Lease liabilities - current				<u><u>\$ 21,316</u></u>	
Lease liabilities - non-current				<u><u>\$ 13,550</u></u>	

Mildef Crete Inc.

Detailed Statement of Operating Costs

1 January - 31 December, 2022

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Goods inventory at the beginning of the period	\$ 120,060
Add: Net purchase of goods in the current period	1,686,823
Less: Goods inventory at the end of the period	(183,199)
Inventory losses	(1)
Transfer to various expenses	(387)
Cost of good sold - goods	<u>1,623,296</u>
Raw materials in the beginning of the period	639,458
Add: Net material purchased in the current period	500,748
Transferred to product in process and semi-finished products	54,455
Less: Raw materials at the end of the period	(688,485)
Inventory losses	(259)
Actual amount incurred of after-sales service reserves	(3,650)
Transfer to various expenses	(1,518)
Cost of raw material sales	<u>(30,107)</u>
Consumption of raw materials	470,642
Direct Labor	59,740
Manufacturing expenses	<u>74,419</u>
Manufacturing costs	604,801
Products in process and semi-finished products in the beginning of the period	422,683
Add: Semi-finished products	77
Transfer of finished goods	580
Less: Products in process and semi-finished products at the end of the period	(458,239)
Transfer of raw materials	(54,455)
Transfer to various expenses	(18,145)
Sale of semi-finished products	(32,916)
Inventory losses	<u>(5)</u>
Manufacturing costs	464,381
Add: Finished products at the beginning of the period	2,751
Less: Finished products at the end of the period	(4,145)
Transferred to products in process and semi-finished products	(580)
Transfer to various expenses	<u>(6,834)</u>
Cost of goods sold - finished goods	455,573
Cost of raw materials sold	30,107
Cost of semi-finished products sold	32,916
Cost of goods sold - manufacturing	<u>518,596</u>
Add: Cost of maintenance expense to cost	7,593
Provision for after-sales service	5,970
Estimated employee bonus	12,693
Losses on inventory valuation	13,698
Inventory loss	265
Sale of scrap	<u>(16)</u>
Total cost of goods sold	<u><u>\$ 2,182,095</u></u>

Mildef Crete Inc.

Detailed Statement of Operating Expense

1 January - 31 December, 2022

Unit: NT\$ thousand

<u>Item</u>	<u>Selling and marketing expenses</u>	<u>General and administrative expenses</u>	<u>Research and development expenses</u>
Salary expenditure	\$ 110,189	19,109	32,780
Rental expense	248	37	-
Insurance premium	10,772	2,572	2,802
Depreciation	25,768	2,043	1,712
Amortisation of various items	-	9	3,969
Sample expense	-	-	14,475
Entrusted research expenses	-	-	1,201
Commission expenditure	1,856	-	-
Retirement benefits	5,394	952	1,533
Labor expense	-	2,888	-
Bank charges	7,591	106	-
Other expenses	<u>13,493</u>	<u>13,319</u>	<u>11,324</u>
Total	<u>\$ 175,311</u>	<u>41,035</u>	<u>69,796</u>

For detailed statement of other financial assets - current, please refer to Note 6 (1) to the financial statements

For detailed statement of changes in property, plant and equipment Please refer to Note 6 (6) to the financial statements

For detailed statement of changes in accumulated depreciation of property, plant and equipment, please refer to Note 6 (6) to the financial statements

For detailed statement of changes in usage rights assets, please refer to Note 6 (7) to the financial statements

For detailed statement of changes in intangible assets, please refer to Note 6 (8) to the financial statements

For detailed statement deferred income tax assets, please refer to Note 6 (12) to the financial statements

For details statement of deferred income tax liabilities, please refer to Note 6 (12) to the financial statement

For detailed statement of operating income, please refer to note 6 (15) to the financial statements

For detailed statement of other income, please refer to Note 6 (17) of the financial statements

For detailed statement of other profits or losses, please refer to Note 6 (17) to the financial statements

For detailed statement of financial costs, please refer to Note 6 (17) to the Financial statements