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MilDef Crete Inc.

2022 Annual Report

Annual report website

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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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Chapter 1. Report to shareholders

Dear sir/madam, shareholders, investors, and distinguished guests. I'm glad to pay attention to and review the performance of Mildef Crete Inc. in 2022.

2022 was an extremely challenging year. Although the pandemic has been brought under control, the economy was still on the way to recovery. In particular, China adopted the dynamic zero-COVID policy, making the global supply chain significantly shrink and tight. By the end of the year, the pandemic had come to an end, but the consequences arising from it were irreversible.

1. Logistics bottleneck: The COVID-19 pandemic has greatly impacted the global logistics. The suspension and delay of freighters and cargo aircraft have led to the bottlenecks in the transportation of raw materials and products in various industries around the world, thereby making the logistics cost rise sharply.
2. The ongoing war between Russia and Ukraine has worsened the shortage of global raw materials and increased uncertainty.
3. Barriers to cross-border trade: Trade barriers and policy uncertainties among the world's major economies have increased the uncertainty and complexity of cross-border trade, and the rise in tariffs exacerbates the instability of the supply chain.
4. Inflation leads to fluctuations in raw material prices: Fluctuations in raw material prices ultimately affect the stability of production and the supply chain, causing an increase in procurement costs.

The above supply chain issues have direct impacts on the business operation.

From an optimistic perspective, due to the impact of geopolitical policies and wars, the military defense budgets of various countries constantly increase. We have been committed to this industry for many years and are confident of the subsequent growth in demand. Additionally, we believe that we will be able to show our strengths in new products and market deployment and seek new profitable opportunities for our shareholders.

Compare to the new high in 2021, the revenue and profit declined in 2022, due to the facts that the demand brought by the pandemic had been met, the need brought by the work from home and distance learning had been satisfied. The weak market demand has led to a fall in prices of notebooks and excessive inventory pressure, which still needs time to solve.

Although the international environment is full of uncertainties, we remain true to the original aspiration. This year, we have introduced numerous new equipment and innovative process technology to meet the market demand. We always attach great importance to quality and hold that only with good quality products, our clients will have the confidence to obtain the trust of the market and get more cooperation opportunities.

We have the confident to challenge the market, and constantly improve revenue and seek profitable business opportunities in the turbulent market.

The overall financial performance of the company in 2022 is as follows:

Financial performance

(I) Operating results:

In 2022, the Company's consolidated turnover was NT\$2.71 billion, a decrease of 3.56% compared with NT\$2.81 billion in 2021; The after-tax profit attributable to the parent company was NT\$230 million, representing a decrease of 63.95% from NT\$638 million in 2021.

(II) Financial revenue and expenditure (consolidated company):

Unit: NT \$1000

Item	2022	2021	Increase (decrease) ratio (%)
Operation interests	265,822	324,548	(18.09)
Net non-operating income and expenditure	39,663	484,629	(91.82)
Net profit before tax	305,485	809,177	(62.25)
After-tax earnings per share	3.89	10.87	(64.21)

(III) Profitability (consolidated companies):

Item		2022	2021
Return on assets (%)		7.52	24.51
Return on shareholders' equity (%)		10.30	34.25
Ratio to paid-in capital (%)	Operation interests	45.30	55.30
	Net profit before tax	52.05	137.88
Net profit rate (%)		8.69	22.95
Retroactive adjustment of earnings per share (NT\$ 1000)		3.89	10.87

Research and development

The R&D expenses in 2022 were NT\$69.8 million, representing an increase of 6.56% as compared with NT\$65.5 million in 2021, which was mainly due to the upgrading of existing model platforms and the development of special models for regional clients. We completed the development of 14 Series and started to prepare products for Android platform. To prepare for the new market, we have invested in R&D and started to develop targeted products for the mining market.

Operation project and future development strategy

The laptop channel operation division has achieved a stable market share in a year when the market is full of an epidemic this year. The company has increased in the laptop channel due to the surge in the home office and education market. The company still strives to provide services on infrastructure construction. For example, we hope to combine the upstream brand resources with the valuable service of the Mildef Crete through the maintenance serviceability of laptops and the pre-sales and after-sales education and training of customer service to provide consumers with comprehensive and professional laptop services, to improve operation sales.

The system operation division released the launch of 14 series models of this year's new products, injecting new impetus into the market and partners and stimulating customized demand services. The system operation department continuously updates the equipment in the plant at the same time, replaces the old equipment, and purchases new equipment to strengthen the production capacity of the system. We have strengthened the production and manufacturing ERP system, strengthened the quality control, provided optimization and change rate for customized production, and greatly improved the efficiency of production. We are preparing handheld products for the Android system platform in terms of technical extension, constantly strengthening our integration ability, providing customized solutions for customer application devices on different operating systems, and providing one-stop services for customers.

We continue to invest in new markets. Market research, personnel investment, and product development are all in progress simultaneously. The core value of the system division is that we can provide customized products under customer needs. Many products in the market can not meet the application needs of special industries. The Mildef Cretes can provide customers with complete product solutions. The global customer system is also the strategic goal of the Mildef Crete. It is not only the challenge of constantly expanding new fields, but also the growth space in the future.

Affected by the external tense environment and the overall operation environment

The company's operation is guided by the highest guiding principle of conscience and complies with relevant regulations at home and abroad. The management team also continues to pay close attention to any changes in policies and laws that may affect the company's finance and business as a business reference. It also cooperates with professional institutions to pay close attention to the development of relevant regulations, and immediately adjust the strategy to meet the needs of the operation.

Prospect

All our colleagues will work harder to develop new markets and industries, continue to expand marketing, and pursue a sustainable profit model with excellent quality and the belief of serving customers as the core for giving back the support of shareholders, customers, and suppliers.

Thank you!

Best wishes

Good health and good luck

Chairman:
Yi-Tung, Shen

Chapter 2. Company profile

I. Date of establishment: March 15, 1990

II. Company history:

Year	Month	Important notes
1990	3	◎ The company is located at 7-12F, No. 391, section 4, Xinyi Road, Taipei. The established capital is NT\$64 million and the paid in capital is NT\$16 million. It is engaged in the manufacturing and sales of notebook computers. The chairman is Mr. Yi-Tong Shen, the founder.
	6	◎ Launched the first product: A4 notebook computer MTL 386SX. This model is the first A4 size computer in Taiwan with 80386SX CPU, built-in data card (9600 / 2400bps) and built-in scanner control card (scanner).
	10	◎ Purchased the plant on the 6th floor, No. 250, section 3, Beishen Road, Shengkeng Township, Taipei County.
1991	1	◎ Established Amrel Technology Inc. (ATI), a branch company in the United States, with 100% shares holding and application for permission from the Investment Commission of the Ministry of Economic Affairs.
	9	◎ Moved to 6 / F, No. 250, section 3, Beishen Road, Shengkeng Township, Taipei County.
1993	6	◎ The SLT 486 model was launched. For the first time, the extended functions and output / input interface were configured on the machine at the same time, and the power connection and push out device were added. These functions have become the design standard of docking station in the future.
1995	12	◎ It has passed the ISO-9002 quality certification of the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs, which is the guarantee of high quality. In the same month, the CD-586 model was launched, creating a full-function precedent for domestic CD-ROM, floppy disk and battery portable multimedia computers.
1997	1	◎ Kuo Fong Group is optimistic about the future of the company and invests in it, with Mr. Lin Xue-Pu as the chairman. Mr. Yi-Tong Shen, the former chairman, served as the general manager.
	3	◎ Invested in Amrel Systems, Inc. (ASI) in California of US, holding 100% of the shares, and applied to the Investment Commission of the Ministry of Economic Affairs for permission.
	9	◎ Purchased the latest automatic production equipment to improve product quality and increase product competitiveness.
	11	◎ ATI, the US branch company, cancelled its legal person registration and closed its business because its operation was not as expected. In the same month, the company invested in Swedish Login Crete AB (LOGIN), holding 28% of the shares, and applied to the Investment Commission of the Ministry of Economic Affairs for permission.
1998	4	◎ The Taipei branch was established to meet the needs of business expansion. Mr. Yi-Tong Shen, the general manager, concurrently served as the manager of the branch.
2000	8	◎ Due to the busy business of chairman Lin Xue-Pu, Mr. Yi-Tong Shen, general manager, was appointed as chairman of the board.
2001	6	◎ Invested and held 90% shares of Amrel systems, LLC. (ASLLC) in California and applied for permission from the Investment Commission of the Ministry of Economic Affairs.

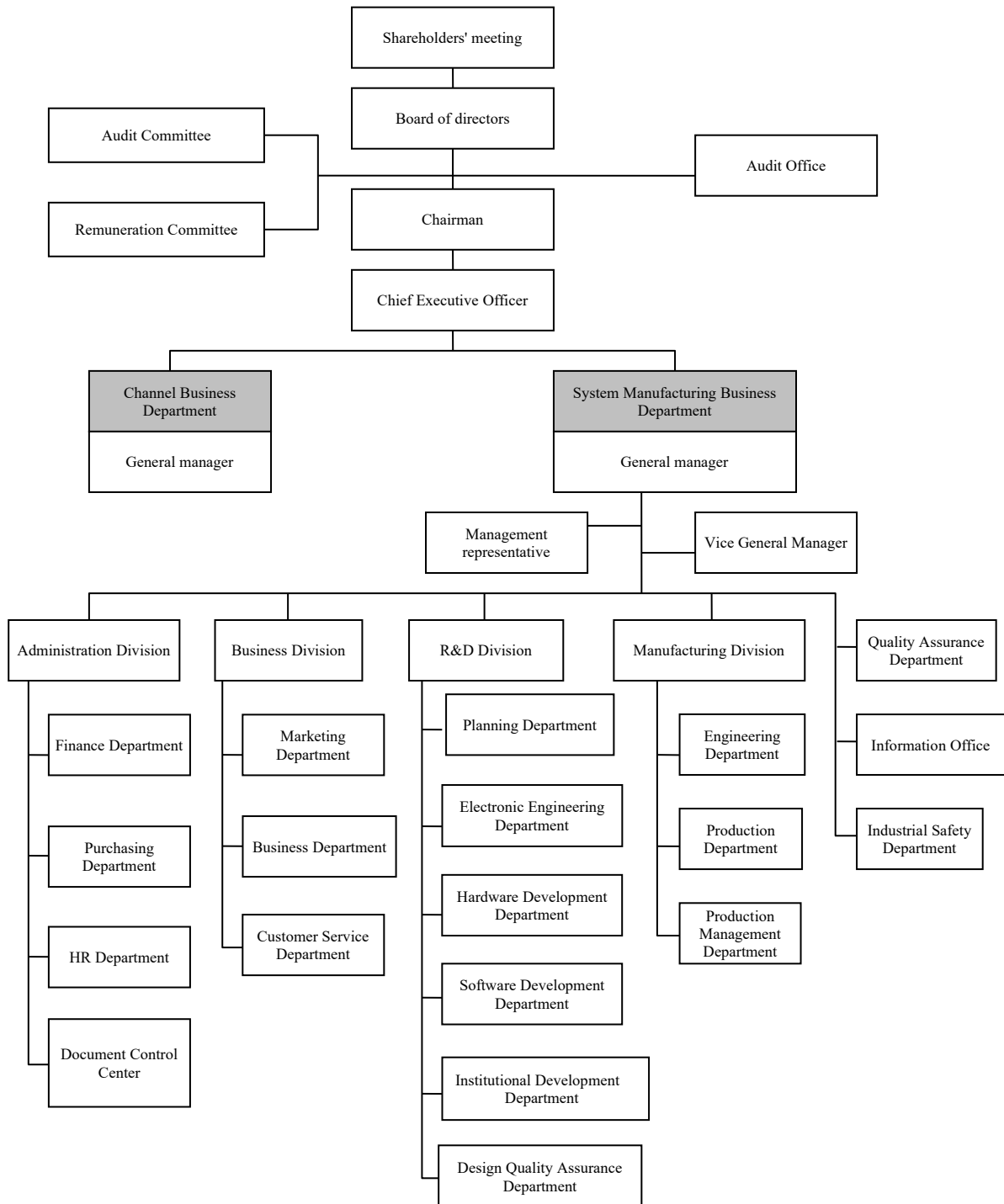
2002	6	◎ In order to strengthen the cohesion of employees, Amrel Systems LLC. (ASLLC), the US subsidiary, increased its capital by US\$100,000 in cash, and the shares held by the company were changed to 75%.
	7	◎ Purchased the plant on the 7th floor.
	9	◎ Became a public company.
2003	7	◎ Listed on emerging stock market.
2004	2	◎ Purchased the plant on the 7th floor.
	4	◎ Sold the original plant on the 6th floor to Motech Industries Inc., and changed the business address to the 7th floor.
	10	◎ Listed on TPEx.
2005	10	◎ It has passed the certification of ISO 14001 environmental management system by the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs.
2007	12	◎ Amrel Systems LLC. (ASLLC), the US subsidiary, continued to suffer losses and was closed by resolution of the board of directors on January 31, 2007. The equity method was discontinued this month and liquidation losses were recognized.
2009	12	◎ Considering the demand for future capacity planning, the plant on the 4th floor, No. 252, section 3, Beishen Road, Shenkeng Township, Taipei county was newly purchased. It is planned to be an incoming inspection area, raw material warehouse, semi-finished product warehouse and finished product warehouse.
2010	6~8	◎ In June and August, in order to increase business dealing and cooperation, we invested NT\$104,000 (25,000 SEK) and NT\$469,000 (US\$15,000) respectively in 25% equity of MilDef AB and 10% equity of Strategic Alliance Corporate Services Pte Ltd.
2011	4~5	◎ In April, MilDef AB was renamed MilDef Technology AB; Login Crete AB was renamed MilDef AB. The company also increased its investment in MilDef Technology AB by NT\$5,372,000 in April and May, holding 33.33% of equity.
	6	◎ For business needs, the English name of the company was changed from the original CReTE System Inc. to Mildef Crete Inc. through the shareholders' meeting
2011	6	◎ Based on the tax consideration, the original shareholder of Mildef AB set up another Mildef Invest AB in Sweden, which fully holds Mildef AB.
2013	6	◎ In order to obtain technical resources related to R&D, we invested in Piccania Limited and held 4.3875% of equity.
	9	◎ Increased the investment in MilDef Technology AB and changed the shareholding to 50.00%.
	12	◎ As the phased task of MilDef Technology AB (hereinafter referred to as MTG) has come to an end, in order to cooperate with the handling of liquidation matters, MTG shares were transferred and 22.5% of the equity of MilDef Ltd. held by MTG was obtained according to the shareholding ratio.
2015	11	◎ MilDef Invest AB was renamed MilDef Group AB.
	12	◎ In order to stimulate employee morale, MilDef Ltd sold 3.75% of its equity to its employees, and the shareholding ratio of the company became 18.75%.

2017	1	◎ In order to effectively grasp the supply schedule and quality of key materials, the company participated in the newly established investment of Flexbasis Technology Inc., with the company holding 40%.
	2	◎ In order to integrate more closely with dealers, the company purchased an additional 11% equity of "Roda Computer GmbH", and the shareholding ratio was increased from 8% to 19%.
2018	2	◎ In order to cooperate with the operation planning of MilDef Group AB, the company will convert its 18.75% share of MilDef Ltd into an increased share of MilDef Group AB. The company's shareholding in MilDef Group AB was changed to 30.74%. Mildef Ltd was changed to be 100% owned by Mildef Group AB.
	8	◎ Purchased the workshop on the 4th floor, No. 254, section 3, Beishen Road, 222, Shenkeng District, New Taipei City.
2019	4	◎ Purchased the shares of Flexbasis Technology from the shareholders of Flexbasis Technology, and the shareholding change of the company is 55%.
	11	◎ Disposed of 10% equity of Strategic Alliance Corporate Services Pte Ltd.
2021	10	◎ Disposed of 11% equity of Roda Computer GmbH, and the change of shareholding ratio is 8%.
2021	6	◎ Purchased the shares of Flexbasis Technology from the shareholders of Flexbasis Technology, and the shareholding change of the company is 65.30%.
		◎ Mildef Group AB issued new shares to acquire subsidiaries in the first quarter, and the company disposed of some of its shares. The company increased its capital and went public on June 4, resulting in a change in the company's shareholding of 12.23%.
2023	1	◎ To expand overseas markets, established a subsidiary in Australia Mildef Crete Australia Asia Pty. , 100% shareholding.
	3	◎ Transfer of Xunzhi Precision Co., Ltd shares, the Company's shareholding transaction was 57.73%.

Chapter 3. Corporate Governance Report

I. Organization system:

(I) Organizational structure:



(II) Business of main departments:

Department	Main responsibilities
Audit Office	<p>Subordinate to the Board of Directors</p> <ol style="list-style-type: none"> (1) Supervise and improve the implementation effect and independence of internal audit, and report to the Board of Directors regularly. (2) Check and evaluate the appropriateness of the internal control system and supervise its effective application. (3) Be responsible for the audit of the Company's business, finance and operation, abnormal analysis and facts, and provide improvement suggestions. (4) Inspect and protect the safety of the Company's assets, and assist the management in implementing the Company's internal rules and regulations.
Chief Executive Officer	<ol style="list-style-type: none"> 1. The resolution of the Executive Board of Directors, whether internal or external, is the highest authority decision-maker of the Company, and has the right to manage affairs and sign for the Company within the scope of authorization specified in the articles of association or contract. 2. And be responsible for the leadership and commitment to the quality and environmental management (green products, the same below) system to ensure the integrity of the quality and environmental management system. <ol style="list-style-type: none"> (1) Assume responsibility for the effective operation of the quality and environmental management system. (2) Ensure that the management system establishes quality / environmental policies and objectives, and is compatible with the organization's strategic policies and environment. (3) Ensure that the requirements of the management system are integrated into the business operation process of the organization. (4) Ensure that the resources required by the management system are available. (5) Ensure the importance of effective management system, communication and integration with the organization's operation process, so as to achieve its expected results. (6) Commit, guide and support employees to contribute to the effectiveness of the management system. (7) Promotion and improvement. (8) Support other relevant management roles and show their leadership in their areas of responsibility. 3. Comprehensively manage the business planning of the Company's future development, the command, supervision and promotion of various businesses, and directly manage the System Manufacturing Business Department and Channel Business Department. <ol style="list-style-type: none"> (1) System Manufacturing Business Department: The general manager shall be appointed to directly supervise the Administration Division, Business Division, R&D Division, Manufacturing Division, Quality Assurance Department, Information Office, Audit Office, and Industrial Safety Department. The deputy general manager shall be appointed to assist the general manager and be responsible for supervising, coordinating and monitoring the implementation process of the green product system to implement the system. In addition, quality management representative, environmental management representative and green management representative

Department	Main responsibilities
	<p>shall be appointed to be responsible for the establishment, promotion and contact of relevant quality, environment and green product systems.</p> <p>(2) Channel Business Department: The general manager shall be appointed to be responsible for the strategic operation and implementation of objectives of computer market channels in Taiwan.</p>
Administration Division of System Manufacturing Business Department	Adhering to the order of the general manager, take charge of the Company's finance, personnel, procurement, general affairs, public relations and other matters. There are Finance Department, Purchasing Department, HR Department and Document Control Center.
Finance Department	<p>Be responsible for the financial and tax planning and management of the two business departments within the organization of the Company. The duties are as follows:</p> <ol style="list-style-type: none"> (1) Credit line application, fund dispatching, fund raising and control with financial institutions. (2) Cashier operations, custody of cash, bank transactions, receipt, redemption and transfer of bills. (3) Tax planning, tax refund, preparation of financial statements, business analysis, expense analysis, reconciliation of overseas companies. (4) Reconciliation of accounts receivable, collection and control of customer credit transaction limit. (5) Salary payment, accounts payable accounting processing, cost analysis, inventory counting, fixed assets management. (6) The planning and operation of stock affairs operations and the convening of functional meetings such as the shareholders' meeting, the Board of Directors and the audit committee.
HR Department	<p>Be responsible for the management of human resources, legal affairs and insurance of the two major business departments within the organization of the Company, and the duties are as follows:</p> <ol style="list-style-type: none"> (1) Personnel management system formulation and implementation, recruitment and publication, employee data login and maintenance, salary management, salary settlement and declaration, labor health insurance and retirement management, performance appraisal management, employee retirement settlement, severance notification, employee consultation and assistance and other affairs. (2) Education and training planning and implementation (quality / environmental protection and other training). (3) The convening and planning of meetings of the labor conference, the labor retirement supervision committee and the remuneration Committee. (4) Legal matters such as legal attest letter, summary petition and draft contract, legal consultation, etc. (5) Printing of lease agreement and contract agreement, custody of contracts and leases, patents and certificates. (6) Insurance underwriting planning and policy management of property insurance (movable and real estate) and liability insurance.
Purchasing Department	<ol style="list-style-type: none"> (1) Inquire, compare and negotiate prices with suppliers before ordering and expediting delivery. (2) Develop new parts and second suppliers and propel the recognition of samples.

Department	Main responsibilities
	<ul style="list-style-type: none"> (3) Return and exchange of incoming defective products. (4) Provide material cost and report market situation. (5) Evaluate the quality, environment and supply capacity of suppliers, and follow up the ordering and delivery documents. (6) Assist green suppliers in establishing green product standards, and evaluate the production capacity together with relevant departments when necessary. (7) Assist green suppliers in environmental compliance, and ensure that their products meet standards and control measures. (8) Ask the supplier for non-use certificate (recognition stage and mass production stage), green product test report or commitment letter of environmental restricted substances of green products. (9) Select and evaluate qualified suppliers of green products according to the standards of environmental restricted substances. (10) Assist in explaining the responsibilities and obligations of Mildef Crete for the green product system to the supplier. (11) General affairs matters such as the management of switchboard, stationery, business machines, air conditioner and official vehicles, and the purchase and management of appliances and sundries. (12) Assist suppliers in communication and control of environmental protection matters. (13) Responsible for the management of drinking water.
Document Control Center	<ul style="list-style-type: none"> (1) Control of the quality manual, various operation procedures and supporting documents of the Company's quality system. (2) Control of environmental management manual, various operating procedures and supporting documents of the Company's environmental management system.
Business Division of System Manufacturing Business Division	Adhering to the order of the general manager, based on the principles of quality and environmental management, with the goal of achieving performance and creating the maximum profit of the Company, it has set up a marketing department, a business department and a customer service department.
Marketing Department	<ul style="list-style-type: none"> (1) Collect market information, technology, quality and environmental protection and provide them to the supervisor and R&D Division. (2) Formulation of price policy and market planning and estimation. (3) Plan and handle advertising and exhibition matters. (4) Accept suggestions from customers, manufacturers and the Company, or actively collect data and plan new product proposals. (5) Draft initial product specifications.
Business Department	<ul style="list-style-type: none"> (1) Develop, investigate, select, contact and serve customers at home and abroad. (2) Review of contracts and orders, contact and coordination of production, sales and shipment control. (3) Contact and handle customer complaints and maintenance. (4) Report abnormal quality information to R&D Division and Manufacturing Division, collect and provide technical data to customers. (5) Receive the maintenance materials and sporadic spare materials required by customers. (6) Arrange shipment. (7) Customer satisfaction survey. (8) Assist in collecting environmental protection regulations and customer

Department	Main responsibilities
	<p>environmental protection requirements in different countries and regions, and transmit the requirements to the Industrial Safety Department.</p> <p>(9) Deliver information about the Company's green products to customers.</p> <p>(10) Reconciliation of some accounts receivable, formulation of customer credit transaction limit and some account planning.</p>
Customer Service Department	<p>(1) Handling procedures for product return and repair.</p> <p>(2) Provide customer after-sales service inquiry.</p> <p>(3) Receive the maintenance materials and sporadic spare materials required by customers.</p> <p>(4) Arrange the return and shipment of returned products.</p>
R&D Division of System Manufacturing Business Department	<p>(1) Responsible for the Company's product development, quality assurance in the development stage, manufacturing technical support, sales technical support and customer support, taking into account cost, quality, environmental protection technology and other matters. There are planning department, electronic engineering department, hardware development department, software development department and organization development department.</p> <p>(2) In the sample evaluation stage, it is necessary to investigate whether the materials meet the standards of environmental restricted substances for green products.</p> <p>(3) Before mass production, provide relevant review data of green products of the Industrial Safety Department.</p> <p>(4) Assist in the analysis of non-conformance of various environmental management substances from raw materials, articles to finished products.</p> <p>(5) If there is any doubt that the production materials before the product handover stage do not meet the standards of environmental restricted substances, they can take the initiative to submit them for inspection.</p> <p>(6) Save the supplier's green product test data of materials in the recognition stage.</p> <p>(7) Develop relevant green products that meet the green product specifications.</p> <p>(8) In the design stage, design methods are used to improve quality, process and verification, and assist in problem analysis and risk assessment.</p>
Planning Department	<p>(1) Implement the review of new product development suggestions.</p> <p>(2) Responsible for integrated planning and tracking of project progress.</p> <p>(3) Write BOM, technical documents and operation instructions.</p> <p>(4) Control the blueprint and technical documents of the R&D Division.</p> <p>(5) Establishment and control of GP documents.</p> <p>(6) Assist in collecting relevant information on environmental protection in the market and transmitting it to the Industrial Safety Department</p>
Electronic Engineering Department	<p>(1) Recognition of designing linear circuits and related parts such as power supply and control.</p> <p>(2) Implement the safety certification of the Company's products.</p> <p>(3) Execute layout, mold development, trial production and error detection.</p> <p>(4) Write operation instruction and BOM draft.</p> <p>(5) Assist in solving model problems in production.</p>
Hardware Development Department	<p>(1) Perform the recognition of the Company's digital circuit design and related parts.</p> <p>(2) Execute layout, mold development, trial production and error detection.</p> <p>(3) Write operation instruction and BOM draft.</p> <p>(4) Assist in solving model problems in production.</p>

Department	Main responsibilities
Software Development Department	<ul style="list-style-type: none"> (1) Develop special software of the Company. (2) Assist in sample debugging.
Institutional Development Department	<ul style="list-style-type: none"> (1) Recognition of mechanism design and parts. (2) Assist in solving model problems in production. (3) Carry out the environmental test of the Company.
Design Quality Assurance Department	<ul style="list-style-type: none"> (1) Quality assurance in development stage. (2) Formulate product quality plan. (3) Design verification and review of acceptance plan of relevant equipment, fixtures and molds. (4) Measurement system evaluation and verification data analysis. (5) Design and process risk assessment and review.
Manufacturing Division of System Manufacturing Business Division	Adhering to the order of the general manager, it comprehensively manages the implementation of product production, quality and environmental protection, improves efficiency, reduces costs, and completes the manufacturing order on time. It has engineering department, production department and production management department.
Engineering Department	<p>Set up biotechnology section and factory affairs section, with the following responsibilities:</p> <ul style="list-style-type: none"> (1) Formulation of product manufacturing and test procedures and operation instructions, and control of test software and product firmware. (2) Selection, manufacture, maintenance and calibration of production and test equipment and fixtures. The analysis, maintenance and feedback of defective products and the contact window between the manufacturing department and the R&D Division. (3) Analysis, maintenance and problem feedback of product after-sales service. (4) Clean the inspection clamp and fixture of the equipment to ensure that there is no mixing and pollution of restricted substances of green products. (5) Maintenance, operation and outsourcing of plant, lighting, water and electricity, air conditioning, air compression and other equipment and facilities.
Production Department	<ul style="list-style-type: none"> (1) Cooperate with the production management to execute the manufacturing order, and manufacture, test, assemble and package the products that meet the quality according to the specifications and standards. (2) Follow the operating instructions, make good use of materials, pay attention to quality and environmental protection, reduce the defect rate and scrap quantity. (3) Strengthen training and improve personnel morale. (4) Management and maintenance of equipment and tools. (5) The use of recyclable materials and recyclable articles to make them meet the green product standard. For example: reuse of packaging materials.
Production Management Department	<ul style="list-style-type: none"> (1) Make production plan and schedule, follow up the materials of relevant units and purchase requisition of non-complete sets of materials, so as to avoid production shutdown or idle materials. (2) Receipt of materials, warehousing, issuing, storage and inventory of semi-finished products and finished products, evaluation of outsourcing plants and outsourcing contracting operations.

Department	Main responsibilities
	(3) Assist the subcontractor to explain the responsibilities and obligations of Mildef Crete to the green product system.
Quality Assurance Department of System Manufacturing Business Division	<p>Directly reporting to general manager</p> <ul style="list-style-type: none"> (1) Promote quality control and environmental management system, supervise quality control and environmental management activities, and coordinate and solve quality and environmental management problems. (2) Formulation of inspection specifications, and implementation of incoming material inspection and finished product inspection. (3) Calibration of quality and environmental protection instruments. (4) Analysis and feedback of quality and environmental defects, tracking of quality and environmental abnormalities and guidance for third parties. (5) Engineering sample verification and trial-run product verification. (6) If there is any doubt that the production materials in the mass production stage of the product do not meet the standards of environmental restricted substances of green products, they can take the initiative to submit them for inspection. (7) The Quality Assurance Department shall post the "ROHS PASS" sign for the materials that pass the incoming material inspection according to the "environmental restricted substances standard for green products". (8) The information and requirements of relevant laws and regulations at home and abroad reflected by the customer shall be transmitted to the Industrial Safety Department for identification.
Information Office of System Manufacturing Business Division	<p>Directly reporting to general manager</p> <ul style="list-style-type: none"> (1) Set up internal network and update and repair e-mail system. (2) Company network architecture maintenance plan. (3) Internal control audit. (4) Software legitimacy control. (5) Erection and maintenance of safety monitoring system. Maintenance and software integration of DATA SYSTEMS and ERP system. (6) Web page erection and maintenance. (7) Anti virus update and maintenance.
Industrial Safety Department of System Manufacturing Business Department	<p>That is, the Labor Safety and Health Committee, directly under the general manager</p> <ul style="list-style-type: none"> (1) Formulation and supervision of labor safety and health codes of practice and safe working methods. (2) Handle relevant education and training in accordance with labor safety and health code of practice. (3) Formulate occupational disaster prevention plan and implement occupational disaster investigation, report, statistics and reporting. (4) Plan and supervise the labor safety and health management of each unit, conduct checking and inspection, and record it in the safety and health work record book. (5) Plan employee health examination and health management. (6) Provide suggestions and data for improving safety and health. (7) Set up a chairman and several other members. (8) Other duties to be performed in accordance with safety and health laws and regulations. (9) Collect environmental protection laws and regulations of different countries and regions and environmental protection requirements of customers, interpret and transmit environmental protection information to

Department	Main responsibilities
	<p>relevant departments.</p> <p>(10) According to the product environmental protection laws and regulations of various countries and the environmental protection requirements of customers, formulate the environmental restricted substance standards for green products of Mildef Crete.</p> <p>(11) Implementation and promotion of education and training related to green product system.</p> <p>(12) Analyze and supervise the non-compliance of environmental restricted substances from raw materials and articles to finished products, and provide the analysis data to relevant units for processing.</p>
Channel Business Department	<p>Directly under the CEO, the head office is set up in Bade Road, Taipei. Its duties are:</p> <p>(1) Formulate and implement annual / quarterly business plans.</p> <p>(2) The establishment and planning of retail outlets in Taiwan</p> <p>(3) Collection, analysis and provision of market intelligence.</p> <p>(4) Achievement of business objectives and profit objectives.</p> <p>(5) Order processing and shipment arrangement.</p> <p>(6) Handling of customer complaints, customer returns and maintenance.</p> <p>(7) Exhibition planning and implementation.</p> <p>(8) After inquiring and negotiating with the supplier, order and urge the delivery.</p> <p>(9) Information matters such as the erection, maintenance and planning of internal and external networks in Taiwan.</p> <p>(10) Stationery, business machines, air conditioners, official vehicles, purchase and management of appliances and sundries and other general affairs matters.</p> <p>(11) Personnel recruitment, appointment and management, etc.</p> <p>(12) Others.</p>
Various departments	<p>(1) Identification of environmental consideration.</p> <p>(2) Assist in the verification of environmental protection laws and regulations.</p> <p>(3) Formulation and implementation of various environmental objectives.</p>

II. Data of Directors, supervisors, general manager, deputy general managers, assistant general managers, heads of departments and branches

(I) Directors and Supervisors:

April 17, 2023

Title	Nationality or place of registration	Name	Gender Age	Election (on board) date	Term of office	Date of initial election	Shares held at the time of election		Number of shares held at present		Shares held by spouses and minor children at present		Holding shares in the name of others		Major (academic) experience	At present, the person holds concurrent positions in the Company and other companies	Other department heads, Directors or supervisors who has a relationship as a spouse or second-degree relative			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Yi-Tong Shen	Male 61-70 years old	2020.06.18	3	1990.03.15	3,126,244	5.33	3,126,244	5.33	0	0	0	0	Graduated from Taipei Tech Electronic Engineering; Chairman of Macnica Galaxy Inc.	General manager of the Company and Director of Flexbasis Technology	None	None	None	The chairman and general manager of the Company are the same person, both of whom are Mr. Yi-Tong Shen. Mr. Yi-Tong Shen is the founder of the Company and also the general manager of the Company for several years. Under his leadership, the Company has made great achievements. Response measures- 1. Increase the number of Independent Directors 2. There are other functional committees - such as Remuneration Committee and Audit Committee 3. None of the members of the Board of Directors of the Company are spouses or first-degree relatives of each other. Except chairman Shen, other Directors do not concurrently serve as employees or managers of the Company
Director	Republic of China	Nankang Rubber Tire Corp., Ltd.	N/A	2020.06.18	3	1997.01.23	2,150,829	3.67	2,150,829	3.67	0	0	0	0	N/A	N/A	None	None	None	
		Representative: Jun-Ying Lin	Female 31-40 years old	2020.06.18	3	1997.01.23	0	0	0	0	0	0	0	0	Graduated from the Department of Communication of China University of Technology and the Graduate Institute of Johnson & Wales University in the United States; Director of Nankang Rubber Tire Corp., Ltd.	Director of Zhikai Development Co., Ltd., Director of Yuanhong Development Co., Ltd., Director of Nankang Rubber Tire Corp., Ltd. and Director of Nanzong Construction Developments, Co., Ltd.	None	None	None	
Director	Republic of China	Ming- Xiao Lu	Male 61-70 years old	2020.06.18	3	2002.06.21	945,563	1.61	945,563	1.61	0	0	0	0	Graduated from Mechanical & Electrical Engineering of National Taipei University of Technology; deputy general	Deputy general manager of Yung Loong Engineering CORP.	None	None	None	

Title	Nationality or place of registration	Name	Gender Age	Election (on board) date	Term of office	Date of initial election	Shares held at the time of election		Number of shares held at present		Shares held by spouses and minor children at present		Holding shares in the name of others		Major (academic) experience	At present, the person holds concurrent positions in the Company and other companies	Other department heads, Directors or supervisors who has a relationship as a spouse or second-degree relative			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
															manager of Yung Loong Engineering CORP.					
Standalone Director	Republic of China	Yong-Cheng Chun	Male 61-70 years old	2020.06.18	3	2002.06.21	0	0	0	0	0	0	0	0	Master of College of Law and Business at National Chung Hsing University; passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong-Cheng Chun Law Firm	Responsible person of Yong- Cheng Chun Law Firm	None	None	None	
Standalone Director	Republic of China	Jun- Ming Wang	Male 71-80 years old	2020.06.18	3	2003.06.26	0	0	0	0	0	0	0	0	Graduated from the College of Business and Management, Tamkang University; passed the special examination of customs affairs; Customs Administration Ministry of Finance Taipei Customs, finance manager of Easy International Marketing Corporation, chairman and general manager of Precision Mfg. Inc.	Chairman and general manager of Precision Mfg. Inc. and Director of Cancer Prevention and Treatment Foundation	None	None	None	
Standalone Director	Republic of China	Xiao- Long Feng	Male 61-70 years old	2020.06.18	3	2004.06.28	65,132	0.11	65,132	0.11	0	0	0	0	Graduated from the Collage of Communication of Fu Jen Catholic University and graduated from the 2000 Senior Manager (SMG) class of John F. Kennedy School of Government, Harvard Kennedy School; reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and Director, manager of news department and Director of BCC, spokesman of BCC, Director of Satellite Television Broadcasting Association, R.O.C., Director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin Univeristy, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University.	Business consultant of Taipei International Community Cultural Foundation, and Director of Yishitang, Keelung City, Taiwan	None	None	None	
Director	Republic of China	Wen- Chun Cai	Female 61-70 years old	2020.06.18	3	2008.06.19	10,139	0.01	15,139	0.03	0	0	0	0	Graduated from Department of Accounting of Hsing Wu University	Independent Director of Farcent Enterprise Co., Ltd	None	None	None	

◆ Major shareholders of corporate shareholders

March 25, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders
Nankang Rubber Tire	Nankang Rubber Tire (18.38%), Yuanhong Development (6.40%), Zhikai Development (6.16%), Yuanrui Development (6.02%), Hanshin Investment (4.20%), Hanzhong Global Investment (4.20%), Quanye Investment (4.07%), Youshin Developmen (3.60%), Jun-Ying Lin (2.27%), Guoqiang Technology Co., Ltd. (1.21%)

◆ If the major shareholder is a legal person, its major shareholder

March 25, 2023

Name of legal person	Major shareholders of legal person
Nankang Rubber Tire	Hengtai Holding 55.56%
Yuanhong Development	Hengtai Holding 99.34%
Zhikai Development	Hengtai Holding 90.70%
Yuanrui Development	Hengtai Holding 72.268%
Quanye Investment	Hengtai Holding 99.90%

Directors and Supervisors


I. Disclosure of professional qualifications of Directors and supervisors and independence of

Independent Directors:


Condition Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
Chairman Yi-Tong Shen	<ol style="list-style-type: none"> Chairman of Macnica Galaxy Inc. Have the necessary working experience in business, finance, accounting and company business, and have not been involved in any of the subparagraphs of Article 30 of the Company Act. 	<ol style="list-style-type: none"> Not a Director or supervisor of the Company or any of its affiliates. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. Not a professional that provides audit services for the Company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years. Not a spouse or a relative within the second degree of kinship with any Director. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act. 	None
Director Nankang Rubber Tire Representative: Jun-Ying Lin	<ol style="list-style-type: none"> Director of Nankang Rubber Tire Have the necessary working experience in business, finance, accounting and 	<ol style="list-style-type: none"> Not a employee of the Company or its affiliated enterprises. Not a Director or supervisor of the Company or any of its affiliates. 	None


<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
	company business, and have not been involved in any of the subparagraphs of Article 30 of the Company Act.	<ol style="list-style-type: none"> 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 6. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 8. Not a professional that provides audit services for the Company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years. 	

Condition Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		9. Not a spouse or a relative within the second degree of kinship with any Director.	
Director Ming- Xiao Lu	<ol style="list-style-type: none"> 1. Deputy general manager of Yung Loong Engineering CORP. 2. Have the necessary working experience in business, finance, accounting and company business, and have not been involved in any of the subparagraphs of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Not a employee of the Company or its affiliated enterprises. 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 4. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act. 5. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 6. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial 	None

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		<p>services or financial operations with the Company.</p> <p>8. Not a professional that provides audit services for the Company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>9. Not a spouse or a relative within the second degree of kinship with any Director.</p> <p>10. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
 <p>Independent Director Yong-Cheng Chun</p>	<ol style="list-style-type: none"> 1. Passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong- Cheng Chun Law Firm 2. Professional and technical personnel who have passed the examination of lawyers and magistrates, and work experience required for business, legal affairs, finance, accounting and company business. 3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Not an employee of the Company or its affiliated enterprises. 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the 	None

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		<p>Company under Paragraph 1 or 2, Article 27 of the Company Act.</p> <p>6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares.</p> <p>7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company.</p> <p>8. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company.</p> <p>9. Not a professional that provides audit services for the Company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any Director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
 Independent Director Jun- Ming Wang	<ol style="list-style-type: none"> 1. Passed the special examination of customs affairs; Customs Administration Ministry of Finance Taipei Customs, finance manager of Easy International Marketing Corporation, chairman and general manager of Precision Mfg. Inc. 2. Working experience in business, finance, accounting and company business. 3. Mr. Jun- Ming Wang is a member of the Audit Committee and the Remuneration Committee and has accounting or financial expertise. He graduated from the Department of Business Administration of Tamkang University and has worked as a financial manager for many years. 4. No circumstances in any of the provisions of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Not a employee of the Company or its affiliated enterprises. 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act. 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 8. Not a Director (member of the governing board), supervisor 	None

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		<p>(member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company.</p> <p>9. Not a professional that provides audit services for the Company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any Director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
 <p>Independent Director Xiao- Long Feng</p>	<p>1. Reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and Director, manager of news department and Director of BCC, spokesman of BCC, Director of Satellite Television Broadcasting Association, R.O.C., Director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant</p>	<p>1. Not a employee of the Company or its affiliated enterprises.</p> <p>2. Not a Director or supervisor of the Company or any of its affiliates.</p> <p>3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.</p> <p>4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.</p> <p>5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total</p>	None

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
	<p>professor of Shih Hsin Univeristy, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University.</p> <p>2. Working experience in business, finance, accounting and company business.</p> <p>3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act.</p>	<p>number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act.</p> <p>6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares.</p> <p>7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company.</p> <p>8. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company.</p> <p>9. Not a professional that provides audit services for the Company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any Director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative</p>	

Condition Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		thereof as provided in Article 27 of the Company Act.	
Director Wen- Chun Cai	<ol style="list-style-type: none"> 1. Independent Director of Farcent Enterprise Co., Ltd 2. Have the necessary working experience in business, finance, accounting and company business, and have not been involved in any of the subparagraphs of Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Not a employee of the Company or its affiliated enterprises. 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act. 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 	1

Condition Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		<p>8. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company.</p> <p>9. Not a professional that provides audit services for the Company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any Director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	

II. Diversity and independence of the Board of Directors:

(I) Board diversity:

The Company advocates and respects the diversification policy of Directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, it is believed that the diversification policy will help to improve the overall performance of the Company. Members of the Board of Directors are selected based on the principle of talents, and have multiple complementary abilities in cross industry fields, including basic composition (such as age, gender, nationality, etc.), industrial experience and relevant skills (such as finance and accounting, legal affairs, information technology and public welfare undertakings), as well as business judgment, operation management, leadership decision-making and crisis management. In order to strengthen the functions of the Board of Directors and achieve the ideal goal of corporate governance, Article 20 of the Company's code of practice on corporate governance stipulates that the overall capabilities of the Board of Directors are as follows: 1. Business judgment 2. Accounting and financial analysis ability 3. Operation and management ability 4. Crisis handling capacity 5. Industrial knowledge 6. International market view 7. Leadership 8. Decision making ability.

The diversification policy and implementation of the current board members of the Company are as follows:

Diversified core items Name of Director	nationality	Gender	Concurrently serving as an employee of the Company	Age			Term of office and length of service of Directors	Operational judgment/management	Crisis management/ leadership decision-making	Industrial knowledge	International market view	Financial accounting	Law
				Below 40	61 to 70	71 to 80							
Yi-Tong Shen	Republic of China	Male	✓		✓		✓	✓	✓	✓	✓	✓	
Representative of Nankang Rubber Tire: Jun-Ying Lin	Republic of China	Female		✓			✓	✓	✓	✓			
Ming- Xiao Lu	Republic of China	Male			✓		✓	✓	✓	✓	✓		
Independent Director Jun Ming Wang	Republic of China	Male				✓	✓	✓	✓	✓	✓	✓	
Independent Director Xiao-Long Feng	Republic of China	Male			✓		✓	✓	✓	✓	✓		
Independent Director Yong-Cheng Chun	Republic of China	Male			✓		✓	✓	✓	✓	✓		✓
Wen- Chun Cai	Republic of China	Female			✓		✓	✓	✓	✓	✓	✓	

Note

1. It can be seen from the table above that there are 7 Directors (including 3 Independent Directors) for the 13th term Board of Directors of the Company, who have overall operational judgment, business management, crisis management, leadership decision-making, and industry experience and professional capability; among whom, chairman Yi-Tong Shen, Director Ming-Xiao Lu, Independent Director Yong- Cheng Chun, Independent Director Jun-Ming Wang, Independent Director Xiao-Long Feng and Director Wen-Chun Cai possess international market

view; chairman Yi-Tong Shen, Independent Director Jun-Ming Wang, and Director Wen-Chun Cai are skilled in financial accounting; Independent Director Jun-Ming Wang has significant contributions to the public welfare; and Independent Director Yong-Cheng Chun is specialized in legal affairs.

2. The average term of office of the Directors of the Company is more than 10 years. The members of the Board of Directors are all Taiwanese, and the proportion of the composition structure is 42.86% of 3 Independent Directors and 14.29% of 1 Director with the identity of an employee. The age distribution range of Directors includes one Director under the age of 40, five Directors aged 61-70 and one Director aged 71-80. In addition to the above, the Company also pays attention to gender equality in the composition of the Board of Directors. The current Board of Directors includes two female members, accounting for 28.57%. In the future, the Company will continue to strive to improve the proportion of female Directors.
3. The diversity orientation, complementarity and implementation of Directors have included and are better than the standards set out in Article 20 of the Company's code of practice on corporate governance; In the future, the diversification policies will be revised in due time according to the operation, operation type and development needs of the Board of Directors, including but not limited to the standards of basic conditions and values, professional knowledge and skills, so as to ensure that the members of the Board of Directors should generally have the knowledge, skills and literacy necessary for performing their duties.

(II) Independence of the Board of Directors:

It can be seen from the disclosure of the professional qualifications of the above Directors and supervisors and the independence of Independent Directors-

1. The Company has 3 Independent Directors, accounting for 42.86% of the Directors.
2. There are six employees who are not employees of the Company or affiliated enterprises of the Company.
3. There are seven Directors and supervisors who are not from the Company's affiliated enterprises.
4. There are 5 natural person shareholders who are not by themselves, their spouses, minor children or in the name of others holding more than 1% of the total issued shares of the Company or with shareholding of the top 10.
5. There are 6 persons who are not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
6. There are five persons who are not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act.
7. There are seven persons who are not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares.
8. There are six persons who are not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company.

9. There are seven persons who are not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company.
10. There are seven persons who are not a professional that renders commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for compensation.
11. There are 7 persons who have no spouse or relatives within the second degree with other Directors. (No circumstances as specified in the provisions of paragraphs 3 and 4 of article 26-3 of the Securities and Exchange Act)
12. There are six persons who are not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

To sum up, the Board of Directors of the Company is in line with independence.

- ★ The Company has set up an audit committee to replace the supervisor system, so there is no supervisor data.

(II) President, Vice Presidents, Associate Managers, and Supervisors of All the Company's Divisions and Branch Units

April 16, 2023

Name (Note 1)	Nationality	Name	Gender	Election (on board) date	Shares held		Shares held by spouse and minor children		Holding shares in the name of others		Main (academic) experience (Note 2)	Currently holding positions in other companies	Managers with spouse or second degree relationship			Remarks (Note 3)
					Number of shares	Shareholdin g ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chief Executive Officer	Republic of China	Yi-Tong Shen	Male	2000.7.21	3,126,244	5.33	0	0	0	0	Graduated from Taipei Tech Electronic Engineering; Chairman of Macnica Galaxy Inc.	Director of Flexbasis Technology	None	None	None	The chairman and general manager of the Company are the same person, both of whom are Mr. Yi-Tong Shen. Mr. Yi-Tong Shen is the founder of the Company and also the general manager of the Company for several years. Under his leadership, the Company has made great achievements. Response measures- 1. Increase the number of Independent Directors 2. There are other functional committees - such as Remuneration Committee and Audit Committee 3. Neither the members of the Board of Directors nor the managers of the Company are spouses or first- degree relatives of each other, and more than half of the Directors do not concurrently serve as employees or managers
General manager of Channel Business Department	Republic of China	Jia-Xing Hu	Male	2011.08.01	153,211	0.26	0	0	0	0	EMBA, Graduate School of Management, National Taiwan University of Science and Technolgy; Senior Organization Engineer of Conjutek Co. Ltd.	None	None	None	None	
Executive deputy general manager	Republic of China	Yong- Xiang Zhou	Male	2019.01.01	3,000	0.01	0	0	0	0	Edith Cowan University, Australia - double bachelor of computer information technology and multimedia technology; general manager of China and Asia Pacific region of Shengdi Wisdom Technology Co.,Ltd.; vice president of Asia Pacific market, Franke, Switzerland	None	None	None	None	
Deputy general manager of R & D department	Republic of China	Wei Liang	Male	2018.10.01	6,593	0.01	6,832	0.01	0	0	Tungnan University (associate degree)- graduated from electronic engineering; Electronic engineer of Shenxun Enterprise Co., Ltd; Customer service engineer of Jiashang Co., Ltd	Director of Flexbasis Technology	None	None	None	
AVP of Planning Department of Channel Business Department	Republic of China	Xiao- Ming Lin	Female	2009.12.01	3,414	0.01	0	0	0	0	Graduated from the National Taipei University Department of Sociology; Zhongxiao Hydropower Engineering, Sunlight Computer	None	None	None	None	

Name (Note 1)	Nationality	Name	Gender	Election (on board) date	Shares held		Shares held by spouse and minor children		Holding shares in the name of others		Main (academic) experience (Note 2)	Currently holding positions in other companies	Managers with spouse or second degree relationship			Remarks (Note 3)
					Number of shares	Shareholdin g ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
AVP of north district business of Channel Business Department	Republic of China	Shi-Zhe Lin	Male	2010.12.01	14,400	0.02	4,759	0.01	0	0	Graduated from the Department of Textiles and Clothing, Fu Jen Catholic University; Financial Services Department of Collins, Daya Department Store	None	None	None	None	
AVP of south district business of Channel Business Department	Republic of China	Xin- Xiong Huang	Male	2010.12.01	0	0	0	0	0	0	Graduated from Department of Industrial and Information Management Institute of Information Management; R&D engineer and business specialist of Zhaotong Enterprise and Taiwan Sakura Corporation	None	None	None	None	
AVP of Manufacturin g Division	Republic of China	Quan- Xiong Li	Male	2018.10.01	166,000	0.28	4,902	0.01	0	0	Graduated from the Department of Electronic Engineering of Tungnan University	Supervisor of Flexbasis Technology	None	None	None	
AVP of Business Division	Republic of China	Sheng- Xian Wang	Male	2022.05.01	0	0	0	0	0	0	Graduated from Mechanical Department of Tungnan University; Solomon (Longmen) Co., Ltd., Ouliya Co., Ltd.	None	None	None	None	

(III) Remuneration paid to Directors (including Independent Directors), supervisors, general manager and deputy general manager in the most recent year

1. Remuneration of Directors (including Independent Directors)

Unit: NT\$1,000

Title	Name	Remuneration of Directors								Proportion of the total amount of items A, B, C and D to net income after tax (Note 6)		Part time employees receive relevant remuneration								Proportion of the total amount of items A, B, C, D, E, F and G to the net profit after tax		Any remuneration received from reinvestment enterprises other than subsidiaries
		Remuneration (A) (Note 1)		Retirement pension (B)		Directors' remuneration (C) (Note 2)		Business execution cost (D) (Note 3)				Salary, bonus and special expenses (E) (Note 4)		Retirement pension (F)		Employee remuneration (G) (Note 5)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
														Cash amount	Stock amount	Cash amount	Stock amount					
Chairman	Yi-Tong Shen	0	0	0	0	3,177	3,177	76	76	1.43	1.43	2,798	2,798	0	0	600	0	600	0	6,651 2.91	6,651 2.91	None
Director	Nankang Rubber Tire Representative: Jun-Ying Lin																					
Director	Ming- Xiao Lu																					
Director	Wen- Chun Cai																					
Independent Director	Yong-Cheng Chun	0	0	0	0	3,158	3,158	90	90	1.42	1.42	0	0	0	0	0	0	0	0	3,248 1.42	3,248 1.42	None
Independent Director	Jun- Ming Wang																					
Independent Director	Xiao- Long Feng																					

1. Please describe the policy, system, standard and structure of remuneration payment for Independent Directors, and describe the relationship with the amount of remuneration according to the responsibilities, risks, investment time and other factors:
- (1) All Directors of the Company will not receive other remuneration except the attendance fee for each board meeting and the Director's remuneration allocated in accordance with the articles of association for the Company's annual profits.
 - (2) The Directors' remuneration allocated in accordance with the articles of association for the Company's annual profits is handled in accordance with the articles of association and other provisions of the Company. The articles of association stipulates that if the Company makes profits, it may allocate no more than 3% of the Directors' remuneration.
The amount allocated shall be reviewed by the Remuneration Committee, approved by the resolution of the Board of Directors and submitted to the shareholders' meeting.
 - (3) The Directors' remuneration payment policy is to strengthen corporate governance and improve the salary system of Directors and managers of the Company, and the "measures for the management of Directors' and managers' remuneration" is formulated for approval.
The distribution principle is: 1. The distribution of Directors' remuneration is directly proportional to the Company's operating performance. 2. In order to implement the spirit of corporate governance and take into account the contribution and increased responsibilities of members' participation, in compliance with the principle of fairness, the base number shall be added according to the number of personal attendance of members participating in functional committees (excluding power of attorney).
 - (4) The amount of remuneration distribution of Directors and employees in the table was passed by the resolution of the Remuneration Committee on 9 March 2023 and the 13th Board of Directors on March 23, 2023.
2. Except as disclosed in the above table, the remuneration received by the Directors of the Company for providing services (such as serving as consultants other than employees) for all companies in the financial report in the most recent year: none

Remuneration level

Levels of remuneration paid to each of the Company's Directors	Name of Director			
	Total remuneration for the first four items (A+B+C+D)		Total remuneration for the first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than NT\$1,000,000	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng, Yi-Tong Shen	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng, Yi-Tong Shen	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)			Yi-Tong Shen	Yi-Tong Shen
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
More than NT\$100,000,000				
Total	7 persons	7 persons	7 persons	7 persons

Note 1. Refers to the remuneration of Directors in the most recent year (including Directors' salary, duty allowance, severance pay, various bonuses, awards, etc.).

Note 2. On March 23, 2023, the Board of Directors resolved to allocate 2022 annual Directors' remuneration of NT\$6,335 thousand and report the 2023 annual shareholders' meeting report; its distribution amount was passed on March 9, 2023 and the 13th Board of Directors on March 23, 2023.

Note 3. Refers to the relevant business execution expenses of the Directors in the most recent year (including travel expenses, special expenses, various allowances, dormitories, car allocation, etc.).

Note 4. Refers to the remuneration received by the Directors and employees (including general manager, deputy general manager, other managers and employees) in the most recent year, including salary, allowance, severance pay, various bonuses, incentives, travel expenses, special expenses, various allowances, dormitories, car allocation and other in kind.

Note 5. On March 23, 2023, the Board of Directors resolved to allocate 2022 annual employee remuneration NT\$31,608 thousand, and report the 2023 annual shareholders' meeting report; its distribution amount was passed by the Remuneration Committee on March 9, 2023 and the 13th Board of Directors on March 23, 2023.

Note 6. It is calculated based on the parent only net profit after tax and the net profit attributable to the parent company in the consolidated financial report of 2022, which is NT\$228,270,000.

2. Remuneration of supervisors:

In order to improve the supervision function and strengthen the management function, the Company has set up an audit committee to replace the supervisor system in accordance with Article 14-4 of the Securities and Exchange Act on June 19, 2008, so there is no information about the supervisor's remuneration.

3. Remuneration of general manager and deputy general manager

Unit: NT\$1,000

Title	Name	Remuneration (A)		Retirement pension (B) (Note 1)		Bonuses and special expenses, etc. (C)		Employee remuneration amount (D) (Note 2)				Proportion of the total amount of A, B, C and D to the net profit after tax (%) (Note 3)		Any remuneration received from reinvestment enterprises other than subsidiaries
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chief Executive Officer	Yi-Tong Shen	9,172	9,172	108	108	766	766	5,275	0	5,275	0	6.71	6.71	0
General manager of Channel Business Department	Jia-Xing Hu													
Executive vice president	Yong-Xiang Zhou													
R&D Division Vice General Manager	Wei Liang													

Remuneration level

Remuneration level paid to each general manager and deputy general manager of the Company	Names of general manager and deputy general manager	
	The Company	All companies in the financial report
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Yi-Tong Shen, Wei Liang	Yi-Tong Shen, Wei Liang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Yong-Xiang Zhou	Yong-Xiang Zhou
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Jia-Xing Hu	Jia-Xing Hu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
More than NT\$100,000,000		
Total	4 persons	4 persons

Note 1. This is the retirement pension set aside according to law, and there is no actual retirement pension paid in the most recent year.

Note 2. On March 23, 2023, the Board of Directors of the Company decided to allocate NT\$31,608,000 for employees in 2022, and submit the report to the 2023 shareholders' meeting;

The amount of remuneration distribution was passed by the resolution of the Remuneration Committee on 9 March 2023 and the 13th Board of Directors on March 23, 2023.

Note 3. It is calculated based on the parent only net profit after tax and the net profit attributable to the parent company in the consolidated financial report of 2022, which is NT\$228,270,000.

Name of the manager who receives employee remuneration and distribution status

2022; Unit: NT\$1,000

	Title	Name	Stock amount	Cash amount (Note 1)	Total	Proportion of total amount to net profit after tax (%) (Note 2)
Manager	Chief Executive Officer	Yi-Tong Shen	0	7,400	7,400	3.24
	Channel Business Department General manager	Jia-Xing Hu				
	Executive vice president	Yong-Xiang Zhou				
	R&D Division Vice General Manager	Wei Liang				
	AVP of Planning Department of Channel Business Department	Xiao-Ming Lin				
	AVP of north district business of Channel Business Department	Shi-Zhe Lin				
	AVP of south district business of Channel Business Department	Xin-Xiong Huang				
	AVP of Manufacturing Division	Quan-Xiong Li				
	AVP of Business Division	Sheng-Xian Wang				
	Finance manager	Ya-Ping Liu				

Note 1. On March 23, 2023, the thirteenth meeting of the Board of Directors resolved to allocate 2022 annual employee remuneration of NT\$31,608 thousand, and reported the 2023 annual shareholders' meeting; its distribution amount by March 9, 2023 Remuneration Committee resolution passed

Note 2. It is calculated based on the parent only net profit after tax and the net profit attributable to the parent company in the consolidated financial report of 2022, which is NT\$228,270,000.

- (IV) Analysis of the proportion of the total remuneration paid by the Company to the Directors, supervisors, general manager and deputy general manager of the Company to the net profit after tax of parent only or individual financial reports in the last two years, the policies, standards and combination of remuneration, the procedures for setting remuneration, and the correlation with business performance and future risks

1. Analysis of the proportion of the total amount paid by the Company and all companies in the consolidated statements to the Company's Directors, supervisors, general manager and deputy general manager to the net profit after tax of parent only financial reports in the last two years

Identity \ Year	Proportion of total remuneration to net profit after tax of parent only or individual financial reports (Note 1) (%)			
	2022 (Note 2)		2021	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Director	4.33	4.33	1.69	1.69
Supervisor	0	0	0	0
General manager and deputy general manager	6.71	6.71	2.58	2.58

Note 1. The net profit after tax of parent only financial report in 2022 and 2021 is NT\$228,270,000 and NT\$638,192,000 respectively.

Note 2. On March 23, 2023, the Board of Directors of the Company decided to allocate NT\$31,608,000 for employees and NT\$6,335,000 for Directors in 2022, and submit the report to the 2023 shareholders' meeting.

Note 3. The amount of remuneration distribution in 2022 was passed by the resolution of the Remuneration Committee on 9 March 2023 and the 13th Board of Directors on March 23, 2023.

Note 4. The proportion of each in 2022 is higher than that in 2021, mainly because the net profit after tax in 2022 after deducting the unrealized disposal of investment gains recognized by accounting standards is higher than that in 2021.

2. Policies, standards and combinations of remuneration payments, procedures for determining remuneration, and their relationship to business performance and future risks:

◎ The Company has set up a remuneration committee, which is responsible for reviewing the Company's overall remuneration, Directors and senior managers' remuneration and payment methods.

◎ All Directors of the Company will not receive other remuneration except the attendance fee for each board meeting and the Director's remuneration allocated in accordance with the articles of association for the Company's annual profits.

◎ The Directors' remuneration provided by the Company's annual profit in accordance with the articles of association shall be handled in accordance with the provisions of the Company's articles of association. The articles of association clearly stipulate that if the Company makes a profit, it may set aside no more than 3% for the Director's remuneration, so that the Director's remuneration is proportional to the Company's operating performance.

The compliance with the rationality of the Directors' remuneration performance policy mainly considers the performance evaluation methods and procedures of

the Board of Directors, the overall operating performance of the Company, the future operating needs and development of the industry, and gives reasonable remuneration with reference to the individual's contribution to the Company's operation, which has been deliberated by the Remuneration Committee and discussed and approved by the Board of Directors.

The remuneration policy of the Company's Directors and managers is to strengthen corporate governance and improve the remuneration system of the Company's Directors and managers, and formulate the "measures for the administration of Directors and managers' remuneration" for approval.

The distribution principle of Directors is: 1. The distribution of Directors' remuneration is directly proportional to the Company's operating performance. 2. In order to implement the spirit of corporate governance and take into account the contribution and increased responsibilities of members' participation, in order to comply with the principle of fairness, the base number shall be added according to the number of personal attendance of members participating in functional committees (excluding power of attorney).

- ◎ 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 provisions of the Company. The HR department of the Company shall, in accordance with the relevant provisions of the Company's personnel performance evaluation and the "measures for the management of Directors' and managers' remuneration", determine the standard of remuneration according to the individual performance and contribution to the overall operation of the Company, taking into account the principle of market peer level, and submit a proposal to the Board of Directors after the resolution of the Remuneration Committee, which shall be adopted by the Board of Directors.
- ◎ The Company's remuneration policy is based on the individual's ability, contribution to the Company, performance and the correlation with business performance. The overall remuneration portfolio mainly includes basic salary, bonus and employee compensation. The standard of remuneration payment is that the basic salary is reviewed and approved according to the market situation of the position held by the employee; bonus and employee compensation are connected with the achievement of employees, department objectives or the Company's business performance.
- ◎ Relevance of future risks: the Company's remuneration will be evaluated and adjusted in consideration of future changes in environment and operating performance, and any Directors and employees who are involved in illegal activities that result in losses to the Company may be subject to disciplinary action as required by law.

III. Operation of corporate governance:

(I) Operation of the Board of Directors

Information on the operation of the Board of Directors

In the most recent year, the Board of Directors held a total of 6 meetings [A]. The attendance of Directors is as follows:

Title	Name	Actual number of attendance (present) B	Number of delegated attendance	Actual attendance (present) (%) [B/A]	Remark
Chairman	Yi-Tong Shen	6	0	100	
Director	Representative of Nankang Rubber Tire: Jun-Ying Lin	2	4	33.33	
Director	Ming- Xiao Lu	6	0	100	
Independent Director	Jun- Ming Wang	6	0	100	
Independent Director	Xiao- Long Feng	6	0	100	
Independent Director	Yong-Cheng Chun	6	0	100	
Director	Wen- Chun Cai	6	0	100	

Other matters to be recorded:

- I. In case of any of the following circumstances in the operation of the Board of Directors, the date of the Board of Directors, the term, the content of the proposal, the opinions of all Independent Directors and the Company's handling of the opinions of Independent Directors shall be stated:

(I) The matters listed in Article 14-3 of the Securities and Exchange Act:

Date of board meeting	Content of proposal	Opinions of all Independent Directors and subsequent treatment
The 11th session of the 13th term 2022.03.17	<ol style="list-style-type: none"> 1. Performance evaluation of Directors and managers in 2021 2. Setting the "Measures for Performance Evaluation of Directors and Managers" 3. Amendments to the "Directors' and Manager's Remuneration Measures" 4. Remuneration distribution of Directors and employees in 2021 5. 2021 annual business report and financial statement audit report 6. 2021 earning distribution 7. 2022 annual budget and operation plan 8. 2021 "effectiveness assessment of internal control system" and "statement of internal control system" 9. 2021 "Fulfilling the integrity of business situation" case 10. Amendment to the "Electronic Operations Cycle" case 	Independent Directors did not object to or reserve opinions on the following proposals.

Date of board meeting	Content of proposal	Opinions of all Independent Directors and subsequent treatment
	11. Amendment to the "Procedures for Acquisition or Disposal of Assets" 12. Proposal on matters related to the convening of the 2022 shareholders' meeting 13. 2022 Salary Adjustment Plan 14. Manager's salary adjustment evaluation in 2022	
The 12th session of the 13th term 2022.04.27	1. First Quarter 2022 Financial Statements Report 2. Report on the first quarter of 2022 budget 3. Amendment to the "Personal Information Protection and Management Measures" 4. Planning for Greenhouse Gas Inventory and Verification	Independent Directors did not object to or reserve opinions on the following proposals.
The 13th session of the 13th term 2022.06.30	Disposition of partial equity in MilDef Group AB	Independent Directors did not object to or reserve opinions on the proposals on the left.
The 14th session of the 13th term 2022.08.03	1. Report on the second quarter of 2022 financial statements 2. Report on the achievement of the budget for the second quarter of 2022 3. Amendments to the "Directors' and Manager's Remuneration Measures" 4. 2021 Directors' remuneration distribution plan 5. Remuneration distribution plan for managers in 2021	Independent Directors did not object to or reserve opinions on the following proposals.
The 15th session of the 13th term 2022.11.02	1. Third Quarter 2022 Financial Statements Report Change of Spokesperson 2. Report on the achievement of the budget for the third quarter of 2022 3. Amendment to the "Rules of Procedure of the Board of Directors Meetings"	Independent Directors did not object to or reserve opinions on the following proposals.
The 16th session of the 13th term 2022.12.21	1. Approval of annual audit plan in 2023 2. Review of Directors' and managers' remuneration for 2022 3. Change of CPA Case 4. The evaluation results of the independence of the CPAs for 2023 5. Define the "Operation Procedures for the Prevention of Insider Trading Management" 6. Setting the "General Principles of Pre-Approval Unconfidence Service Policy" 7. Revision of the "Internal Critical Information Handling Operating Procedures" 8. Amendment of relevant internal control contents in the "Sales and Collection Cycle (Manufacturing)"	Except for the sixth case not passed by the Audit Committee, the Independent Directors have not expressed any objection or reservation for the remaining motions

Date of board meeting	Content of proposal	Opinions of all Independent Directors and subsequent treatment
	9. Amendments of relevant internal control contents in the "Procurement and Payment Circulation (Manufacturing)"	

- (II) Except for the matters mentioned above, other matters resolved by the Board of Directors with objections or reservations of Independent Directors and with records or written statements: none.

II. Regarding recusals of Directors from voting due to conflicts of interests, the names of the Directors, contents of motions, reasons for recusal, and results of voting shall be specified:

Date of meeting	Name of Director	Content of proposal	Reasons for recusal	Participation in voting
The 11th session of the 13th term 2022.03.17	Yi-Tong Shen	Manager's salary adjustment evaluation in 2022	Concurrently acting as general manager	Recusal from voting on the motion
The 14th session of the 13th term 2022.08.03	Yi-Tong Shen	Remuneration distribution plan for managers in 2021	Concurrently acting as general manager	Recusal from voting on the motion

III. The evaluation cycle and period, evaluation scope, method and evaluation content of the board (or peer) evaluation:

- (I) Perform the performance evaluation of the Board of Directors and functional committees in accordance with the Company's "board performance evaluation measures".
- (II) Evaluation cycle: the performance evaluation of the internal Board of Directors shall be carried out at least once a year.
- (III) Evaluation period: from January 1, 2022 to December 31, 2022.
- (IV) Evaluation scope: including the performance evaluation of the overall Board of Directors, individual board members and functional committees.
- (V) Evaluation method: self-evaluation, including internal self-evaluation of the Board of Directors and functional committees and self-evaluation of board members.
- (VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point
- (VII) Evaluation results:

1. Performance evaluation results of the Board of Directors: excellent

The performance evaluation and measurement items of the Board of Directors of the Company cover five aspects, with a total of 45 questions and a full score of 5 points. The score results of each aspect are shown in the table below, with an average score of 4.0 points (a full score of 5 points).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the Company	12	3.89	
B. Improvement of the decision-making quality of the Board of Directors	12	4.01	
C. Composition and structure of the Board of Directors	7	3.98	
D. Selection and continuing education of Directors	7	4.02	
E. Internal controls	7	4.12	
Total / average	45	4.00	Excellent

2. Performance evaluation results of the Board of Directors: excellent

The Company's Directors (including Independent Directors) members, a total of 7 seats, measured six aspects of the project cover, the total number of questions is 23 questions, out of 5 points, and the average score for each aspect is 4.0 (out of 5).

Measurement items	Number of questions	Average score	Evaluation
A. Mastery of company objectives and tasks	3	4	
B. Cognition of Directors' responsibilities	3	4.05	
C. Participation in the operation of the Company	8	3.91	
D. Internal relationship management and communication	3	4.14	
E. Professional and continuing education of Directors	3	4.1	
F. Internal controls	3	4.14	
Total / average	23	4.06	Excellent

(VIII)Conclusion:

According to the evaluation results, the organizational operation of the Board of Directors is in good condition. the Company will continue to refine the functions of the Board of Directors, improve the enterprise operation and implement the effectiveness of corporate governance.

IV. The objectives of strengthening the functions of the Board of Directors in the current year and the most recent year (such as establishing an audit committee, improving information transparency, etc.) and the evaluation of the implementation:

- (I) The schedule of the annual meeting is planned and scheduled in advance.

- (II) The discussion unit shall consult relevant units about one month before the meeting of the Board of Directors.
- (III) The Board of Directors of the Company continues to strengthen corporate governance and is committed to the improvement of corporate governance.
- (IV) The Audit Committee and the Remuneration Committee established under the Board of Directors of the Company assist the Board of Directors in performing their supervisory duties respectively.
- (V) The Company has formulated the performance evaluation measures of the Board of Directors as the goal for the operation of the Board of Directors and functional committees.
- (VI) The Company has established a Remuneration Committee since 2011 to formulate and regularly review the performance evaluation of Directors and managers, so as to strengthen the functions of the Board of Directors.
- (VII) According to the provisions of laws and regulations, we regularly or irregularly announce the Company's major financial and business information.
- (VIII) Since the chairman and the general manager of the Company are the same person, in order to strengthen the functions of the Board of Directors, the 9th session of the 13th term Board of Directors on November 3, 2021 adopted that for the audit report, one Director was added for signature
- (IX) On December 21, 2022, the 16th session of the 13th term Board of Directors adopted the “Procedures for the Management of Prevention of Insider Trading”.
- (X) The head of corporate governance was set up on the 18th session of the 13th term Board of Directors on May 3, 2023.

(II) Operation of the Audit Committee:

- ◆ In order to improve the supervision function and strengthen the management function, the Company established the Audit Committee to replace the supervisor system in accordance with Article 14-4 of the Securities and Exchange Act on June 19, 2008.

The Audit Committee shall be composed of all Independent Directors with at least three members, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise. Its main functions and powers are as follows:

1. Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of internal control system.
3. In accordance with Article 36-1 of the Securities and Exchange Act, the procedures for major financial operations such as acquisition or disposal of assets, trading of derivatives, loan of funds to others, endorsement or guarantee for others shall be formulated or amended.
4. Matters involving the interests of Directors themselves.
5. Significant asset or derivative transactions.
6. Major capital loans, endorsements or guarantees.
7. Offering, issuing or private placement of securities with equity nature.
8. Appointment, dismissal or remuneration of the CPAs.

9. Appointment and removal of the head of finance, accounting or internal audit.
10. Annual financial report and semi-annual financial report.
11. Other major matters prescribed by the Company or the competent authority.

By the end of April 2023, the Audit Committee of the Company is composed of all three Independent Directors.

◆ This committee is unpaid.

Operation of the Audit Committee

The Audit Committee held 6 meetings in the most recent year [A], and the attendance of Independent Directors is as follows:

Title	Name	Actual attendance B	Number of delegated attendance	Actual attendance (%) [B/A] (Note)	Remark
Independent Director	Jun- Ming Wang	6	0	100	Chairman
Independent Director	Yong-Cheng Chun	6	0	100	Committee member
Independent Director	Xiao- Long Feng	6	0	100	Committee member

Other matters to be recorded:

- I. In case of any of the following circumstances in the operation of the Audit Committee, the date and period of the Audit Committee, the contents of the proposal, the objections, reservations or major suggestions of the Independent Directors, the resolution results of the Audit Committee and the Company's handling of the opinions of the Audit Committee shall be stated.

(I) Matters listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee Date	Content of proposal	Resolution results of the Audit committee and follow-up treatment
The 10th session of the 7th term 2022.03.17	1. Internal control audit report 2. Amendment to 2021 "Effectiveness assessment of internal control system" and "Statement of internal control system" 3. 2021 "Fulfilling the Integrity of Business Situation" case 4. Amendment to the "Electronic Operations Cycle" case 5. Setting the "Measures for Performance Evaluation of Directors and Managers" 6. Amendments to the "Directors' and Manager's Remuneration Measures" 7. Amendment to the "Procedures for Acquisition or Disposal of Assets" 8. 2021 annual business report and financial statement audit report 9. 2021 earning distribution	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The 11th session of the 7th term 2022.04.27	1. Internal control audit report 2. First Quarter 2022 Financial Statements Report 3. Report on the first quarter of 2022 budget	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The 7th session of the 12th term 2022.06.30	Disposition of partial equity in MilDef Group AB	All members of the Audit Committee have not expressed any objection or reservations for the

Audit Committee Date	Content of proposal	Resolution results of the Audit committee and follow-up treatment
		following proposals, and the proposals have been adopted by all members.
The 13th session of the 7th term 2022.08.03	<ol style="list-style-type: none"> 1. Internal control audit report 2. Report on the second quarter of 2022 financial statements 3. Report on the achievement of the budget for the second quarter of 2022 	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The seventh session, the 14th term 2022.11.02	<ol style="list-style-type: none"> 1. "Internal control audit report" act 2. Report on the third quarter of 2022 financial statements 3. Report on the achievement of the budget for the third quarter of 2022 4. Amendment to the "Rules of Procedure of the Board of Directors Meetings" 	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The seventh session, the 15th term 2022.12.21	<ol style="list-style-type: none"> 1. Internal control audit report 2. Change of CPA Case 3. evaluation results of the independence of CPAs of 2023 4. Define the "Operation Procedures for the Prevention of Insider Trading Management" 5. Setting the "General Principles of Pre-Approval Unconfidence Service Policy" 6. Revision of the "Internal Critical Information Handling Operating Procedures" 7. Amendment of relevant internal control contents in the "Sales and Collection Cycle (Manufacturing)" 8. Amendments to relevant internal control contents in the "Procurement and Payment Circulation (Manufacturing)" 	<p>Except –</p> <ol style="list-style-type: none"> 1. First case members suggested that subsidiaries refer to parent company rules and regulations to conduct an internal review and make or amend the measures and ensure implementation; and 2. Case V alleviates and invites relevant officers to further understand the communication with the accounting firm, whether it is necessary for all the members of the audit committee to remain unscheduled. No objection or reservation, and the motion is passed by resolution of all Members

(II) Other matters not approved by the Audit Committee but agreed by more than two-thirds of all Directors, except for the preceding matters: none.

- II. The implementation of the recusal of interest related proposals by Independent Directors shall state the name of the Independent Director, the content of the proposal, the reasons for the recusal of interest and the voting situation: none.
- III. Communication between Independent Directors and internal audit supervisors and CPAs (such as matters, methods and results of communication on the Company's financial and business conditions):

(I) Communication between the Audit Committee and the audit supervisor in 2022:

Communication method and date	Communication method	Communication results
The 7th session, the 10th term of Audit Committee 2022.03.17	Audit business performance report from December 2021 to February 2022	Members attended and agreed, no other views
The 7th session, the 11th term of Audit Committee 2022.04.27	Audit business performance report in March 2022	Members attended and agreed, no other views
The ninth session of the seventh term Audit Committee 2022.08.03	Performance report of audit business from April to June of 2021	Members attended and agreed, no other views
The 14th session of Audit Committee of the seventh term 2022.11.02	Audit business performance report from July to September 2022	Members attended and agreed, no other views
The 15th session of Audit Committee of the 7th term 2022.12.21	Audit business performance report from October to November 2022	Members attended and agreed, no other views

The auditor shall communicate with the Independent Directors through the audit report every month. Through the meeting of the Audit Committee, the implementation status of the audit business should be reported at least once a quarter. In case of special conditions, the members of the Audit Committee should be reported immediately. As of the printing date of the annual report, there was no such special situation. The Audit Committee of the Company has good communication with the internal audit supervisor.

Since the chairman of the Board of Directors and the general manager of the Company are the same person, the Company passed at the 8th session of the 7th term Audit Committee to add one more Director to sign on the audit business report.

(II) Communication between the Audit Committee and CPAs in 2022:

Date	Communication method	Communication object	Communication matters	Communication results
2022.03.17	Before the 10th Audit Committee meeting of the 7th term	CPAs	1. Audit results of consolidated and parent only financial reports in 2021 2. Major Impact of Audit Standards Bulletin No. 75 3. Update of important accounting standards or interpretation letters, securities regulatory laws and tax laws	Agree, no other comments
2022.11.02	Before the 14th Audit Committee Meeting of the 7th term	CPAs	1. 1. Third Quarter of 2022 Consolidated Financial Statements Review Results 2. Annual audit plan 3. Corporate Governance 3.0-Audit Quality Indicators (AQI) Disclosure	Agree, no other comments

The communication between the Company's CPAs and the Audit Committee, including the review or audit results of the second quarter and annual financial reports, the scope and time plan of the review or audit, as well as major findings, providing that the personnel of the firm to which the CPAs belong have complied with the statement on independence in the code of professional ethics of CPAs, and determining the key audit matters to be communicated in the financial report, the impact of the amendment of laws and regulations on the Company. In case of any special situation, it will also report to the members of the Audit Committee immediately. As of the printing date of the annual report, there is no such special situation. The Audit Committee of the Company is in good communication with the CPAs.

IV. The evaluation cycle and period, evaluation scope, method and evaluation content of the Audit Committee's self-evaluation:

- (I) Perform the performance evaluation of the Board of Directors and functional committees in accordance with the Company's "board performance evaluation measures".
- (II) Evaluation cycle: the performance evaluation of the internal Board of Directors shall be carried out at least once a year.
- (III) Evaluation period: from January 1, 2022 to December 31, 2022.
- (IV) Evaluation scope: including the performance evaluation of the overall Board of Directors, individual board members and functional committees.
- (V) Evaluation method: self-evaluation, including internal self-evaluation of the Board of Directors and functional committees and self-evaluation of board members.
- (VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point
- (VII) Performance evaluation results of the Audit Committee: excellent

According to the performance evaluation of the Audit Committee, the measurement results cover five aspects, the total number of questions is 21, and the average score of each dimension is 4.67 (full score is 5).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the Company	4	4.67	
B. Awareness of responsibilities of the Audit Committee	5	4.67	
C. Provide functional committee decision-making quality	7	4.67	
D. Composition and member selection of the Audit Committee	2	5.00	
E. Internal controls	3	4.67	
Total / average	21	4.74	Excellent

(VIII) Conclusion:

According to the evaluation results, the organization and operation of the Audit Committee are in good condition. the Company will continue to refine the functions of the Audit Committee, improve the enterprise operation and implement the effectiveness of corporate governance.

(III) Corporate Governance Operation Situation and Differences from Listed OTCO Corporate Governance Code of Practice

The operation of corporate governance and the differences between it and the code of practice for corporate governance of TWSE/TPEX-listed companies and the reasons

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
I. Does the Company formulate and disclose the code of corporate governance practices in accordance with the code of corporate governance practices for TWSE/TPEX-listed companies?	V		The Company has formulated a code of practice on corporate governance and disclosed on the Company's website and MOPS.	No significant difference
II. Ownership structure and shareholders' equity of the Company (I) Whether the Company has established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation, and implement them in accordance with the procedures?	V		(I) The Company's internal operating procedures for handling shareholders' suggestions, doubts, disputes and litigation matters: collect relevant issues raised by shareholders through the contact telephone and e-mail of the spokesperson and acting spokesperson. If it is shareholders' suggestions and doubts, the spokesperson and acting spokesperson shall handle and respond to them. In case of disputes and litigation matters, the legal affairs unit shall handle and respond. However, the relationship between the Company and its shareholders is harmonious, and there has been no dispute or litigation.	No significant difference
(II) Does the Company have a list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders?	V		(II) The Company has stock affairs handling personnel and the assistance of the Stock Affairs Agency Department of Capital Securities to regularly disclose the pledge, increase or decrease of the Company's shares, or other important matters that may cause changes in shares held by shareholders and Directors holding more than 10%, so as to master the major shareholders and ultimate controller of major shareholders.	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
(III) Does the Company establish and implement risk control and firewall mechanisms with related enterprises?	V		<p>The Company discloses the list of major shareholders in its quarterly financial report.</p> <p>(III) The Company has formulated the "operating procedures for transactions between group enterprises, specific companies and related parties" and the "measures for the operation and management of subsidiaries", which clearly regulate the transactions with related enterprises, so as to establish a complete firewall and achieve a risk control mechanism.</p>	
(IV) Does the Company have internal regulations to prohibit insiders from trading securities by using unpublished information on the market?	V		<p>(IV)</p> <ol style="list-style-type: none"> 1. The Company has established "internal major information processing procedures" as major information processing procedures, which prohibit insiders from using undisclosed information on the market to buy and sell securities. In addition, it is expressly prohibited for the Company's Directors, managers, employees, appointees or persons with substantial control ability to obtain any improper interests in the "operation procedures and conduct guidelines for ethical corporate management". 2. At least once a year, the Company conducts education and advocacy of "internal major information processing procedures" and relevant laws and regulations for current Directors, supervisors, managers and relevant employees, arranges education and advocacy for new Directors and managers within 3 months after taking office, and educates and advocates for new employees during pre-service training. 	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			<p>3. In this year, the Finance Department prepared an advocacy briefing for 0.5 hours on October 26, 2022 to carry out relevant education and advocacy for the current Directors, managers and relevant employees. The course content includes the clear time point, disclosure method, release time and terms of the current major information to strengthen the confidentiality awareness of internal insiders.</p> <p>4. On October 28, 2022, 1 hour by the audit office to promote the relevant norms of integrity management, and reported on December 21, 2022 the Sixteenth Board of Directors, the Company did not violate the integrity of operation report</p>	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors formulate diversification policies, specific management objectives and implement them?</p>	V		<p>(I) It is formulated in the "code of practice on corporate governance" and the "measures for the election of Directors" and disclosed on the Company's website. The contents are as follows: The members of the Board of Directors shall consider diversification and formulate appropriate diversification policies based on their own operation, business type and development needs, which should include but not limited to the following two standards:</p> <ol style="list-style-type: none"> 1. Basic conditions and values: gender, age, nationality and nationality, etc. 2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or 	No significant difference

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			<p>technology), professional skills and industrial experience.</p> <p>Members of the Board of Directors shall generally have the knowledge, skills and literacy necessary for the performance of their duties. In order to achieve the ideal goal of corporate governance, the overall capabilities of the Board of Directors are as follows:</p> <ol style="list-style-type: none"> 1. Operational judgment. 2. Accounting and financial analysis ability. 3. Operation and management ability. 4. Crisis management ability. 5. Industrial knowledge. 6. International market view. 7. Leadership. 8. Decision making ability. <p>The Board of Directors of the Company has a total of seven Directors. The overall ability of the Board of Directors meets the needs of the Company's future development and implements the diversification policy of the Company's Board of Directors. For the implementation of the diversification policy of the Company's Board of Directors, please refer to pages 28-30 of this annual report.</p>	
(II) In addition to setting up salary and Remuneration Committee and Audit Committee according to law, does the Company voluntarily set up other functional committees?	V		(II) In addition to setting up Remuneration Committee and Audit Committee according to law, the Company will add other functional committees according to actual needs in the future.	
(III) Whether the Company has formulated the performance evaluation measures and evaluation methods of the Board of Directors, conducted performance evaluation every year and regularly, and submitted the results of performance evaluation to the Board of Directors, and used it	V		(III) On August 5, 2020, the Board of Directors of the Company adopted the "measures for the performance evaluation of the Board of Directors". The evaluation items include the following five aspects: the degree of participation in the operation of the Company, improving the decision-making quality of the Board of Directors,	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
as a reference for the remuneration of individual Directors and nomination for renewal?			<p>the composition and structure of the Board of Directors, the selection and continuous learning of Directors, and internal control. Before the end of the next year, a questionnaire shall be used to evaluate the operation of the Remuneration Committee and the Audit Committee of the Board of Directors and the self-assessment of Directors. The operation of the Board of Directors, the Remuneration Committee and the Audit Committee shall be evaluated by the responsible secretarial units, and the results, together with the Directors' self-assessment, shall be used as the reference basis for nominating Directors and determining their remuneration.</p> <p>The evaluation of the operation of the Board of Directors, the Remuneration Committee and the Audit Committee in 2021 was carried out in December 2021. The overall operation result was excellent through the evaluation of various functional committees, and the report of the Board of Directors was made on March 17, 2022. For the evaluation results, please refer to the self-evaluation results of the Board of Directors and Directors on page 43, the self-evaluation results of the Audit Committee on pages 49 and the self-evaluation results of the salary and Remuneration Committee on pages 70 of this annual report.</p>	
(IV) Does the Company regularly evaluate the independence of CPAs?	V		<p>(IV) The CPAs of the Company maintain a rigorous and impartial attitude and detached and independent spirit when auditing / reviewing the Company's financial statements. The Finance Department evaluates the independence and competence of CPAs every year since 2020, and</p>	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			submits them to the Board of Directors for resolution. The accounting independence and suitability assessment results of 2023, reported by the 16th Board of Directors on December 21, 2022. For the results, please refer to page 63 of this annual report.	
IV. Whether a TWSE/TPEX-listed company has set up a full-time (part-time) corporate governance unit or personnel to be responsible for corporate governance related affairs (including but not limited to providing data required by Directors and supervisors to perform business, handling matters related to meetings of the Board of Directors and shareholders in accordance with the law, handling company registration and change registration, making minutes of meetings of the Board of Directors and shareholders, etc.)?	V		<p>The Finance Department is responsible for corporate governance related affairs concurrently. The main responsibilities are to handle the matters related to the meetings of the Board of Directors and the shareholders' meeting according to law, prepare the minutes of the Board of Directors and the shareholders' meeting, assist the Directors in taking office and continuing study, provide the data required by the Directors to perform their business, and assist the Directors in complying with the laws and regulations.</p> <p>The business performance in 2022 is as follows:</p> <ol style="list-style-type: none"> 1. It is the main contact window between Directors and the Company. 2. Assist the Directors in performing their duties, provide the Company information required by the Directors at the meeting, and maintain smooth communication between the Directors and the business executives. 3. Provide relevant training course information for Directors and assist in arranging Directors' further study. 4. Assist in arranging the communication between the audit members, the CPAs and the audit supervisor. 5. Draft the agenda of the Board of Directors and notify the Directors, convene the meeting and provide meeting data. If the topic needs recusal for interest, a prior reminder should be given, and the minutes of the Board of Directors 	No significant difference

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			meeting should be completed within 20 days after the meeting. 6. Assist in handling the affairs of the shareholders' meeting.	
V. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder zones on the Company's website, and properly respond to important corporate social responsibility issues concerned by stakeholders?	V		Maintain smooth communication channels with interested parties (including correspondent banks, other creditors, employees, customers, suppliers, etc.) and grasp information at any time to safeguard the legitimate and reasonable rights and interests of both parties; a special area for stakeholders and a contact window are set up on the Company's website to properly respond to and provide important issues of concern to stakeholders. Various important issues of concern. Investor relations contact window Spokesman: CHOW Wing Cheung, Executive Vice President (02)2662-6074 #501 Acting Spokesman: Financial Manager Liu Yaping #301 Customer service window: Complaint Window: North District - Lin Shih Chit (02) 2322-1769; Central South District - Hsin-Hsiung Huang (07) 2358069 For specific instructions, please refer to the description of stakeholders on pages 59-60 of this annual report.	No significant difference
VI. Does the Company appoint a professional stock affairs agency to handle the affairs of the shareholders' meeting?	V		Professional stock service agent commissioned by the Company - Capital Jinding Securities Co., Ltd. assists shareholders business.	No significant difference
VII. Information disclosure (I) Does the Company set up a website to disclose financial business and corporate governance information?	V		(I) The Company's financial, business and corporate governance information has been disclosed in detail in the "investor relations" section of the Company's website, and a special person is responsible for maintaining and updating the data.	No significant difference
(II) Does the Company adopt other ways of information disclosure (such as setting up an English	V		(II) The Company has set up websites in both Chinese and English, and has a spokesman (Executive Vice	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
<p>website, appointing a special person to be responsible for the collection and disclosure of the Company's information, implementing the spokesperson system, placing the Company's website in the process of investor conference presentation, etc.)?</p> <p>(III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial reports of the first, second and third quarters and the operation of each month before the specified time limit?</p>	V		<p>President Yong-Xiang Zhou) and an acting spokesman (manager Ya-Ping Liu) to uniformly speak the relevant information of the Company to the public. A dedicated unit is also responsible for the collection, disclosure and update of information on shareholders, laws, investment and market.</p> <p>On August 18, 2022 at 2 pm held an online legal person meeting, organizer: Prima Asia Securities, Speaker: Zhou Yongxiang Executive Vice President, after the meeting, and put the video files and presentations in Chinese and English on the public information observing station and company website.</p> <p>(III)</p> <ol style="list-style-type: none"> 1. Although the Company does not release the annual financial report within two months after the end of the fiscal year, we also report the annual financial report, the first, second and third quarter financial reports and the operation of each month in advance according to the prescribed period. 2. Please refer to the MOPS (website_https://mops.twse.com.tw) for the above relevant information and the Company's website and the Company website (www.crete.com.tw) 	
<p>VIII. Whether the Company has any other important information to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, Director and supervisors training, risk management policy and risk measurement criteria); (Implementation of the account policy, the Company purchasing liability insurance for Directors and supervisors, etc.)?</p> <p>(I) Employee rights and interests:</p> <ol style="list-style-type: none"> 1. The remuneration of the Company's employees is paid both in the form of cash and employee remuneration. Cash remuneration includes monthly salary and annual bonus; in addition, according to Article 20 of the articles of association, if there is profit in the year, after making up the losses over the years, the Company will allocate 5% to 10% as the remuneration of employees, give back to employees in the form of cash and / or shares, reward their contributions, and encourage employees to continue their efforts to directly integrate the 				

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies																				
	Yes	No	Summary description																					
<p>interests of employees with the interests of shareholders, so as to create a win-win situation for the Company, shareholders and employees. The amount and distribution method of employee remuneration shall be determined by the Remuneration Committee and the Board of Directors and reported at the annual shareholders' meeting. The amount assigned to each employee depends on his / her position, contribution and performance.</p> <p>2. Hold regular labor-management meetings.</p> <p>3. There is a sound retirement system and a labor retirement reserve supervision committee.</p> <p>4. The working rules of employees have been formulated in accordance with the Labor Standards Act and other relevant laws and regulations, and have been approved and filed by the Labor Affairs Department of New Taipei City government.</p> <p>(II) Employee Care:</p> <p>Employees are the assets of the enterprise and the driving force for the Company's growth. In addition to providing employees with a safe working environment to avoid injury to employees, the Company also:</p> <p>1. Set up an Employee Welfare Committee to co-ordinate various welfare measures.</p> <p>2. Employees' health examination is carried out every year to promote employees' health.</p> <p>3. It is equipped with TV, Karaoke and billiards table to facilitate employees to adjust their body and mind and relieve pressure.</p> <p>4. In 2018, established -</p> <p>(1) Spinning bike club - the Company purchases 10 spinning bikes, and the employees set their own management and use rules to achieve the effect of sports and fitness.</p> <p>(2) Nursing room - create a maternal care and friendly workplace. The factory is equipped with an independent and private nursing room, and provides health education, maternal and infant health information, as well as special cooperation with nearby special nurseries, so as to create a working environment in which female employees are more willing to work while achieving a balance between work and family life.</p> <p>5. In May 2020, purchased a blood pressure meter for colleagues to measure at a time.</p> <p>6. Held fat loss activities in July 2021, so that at the same time care about self-health.</p> <p>7. In response to the COVID-19 epidemic, the relevant information will be updated by the Ministry of Industrial Safety.</p> <p>8. Held talks on health - Hire a professional doctor to the factory to talk</p> <table><tr><th>Date</th><th>Lecturer</th><th>Subject</th><th>Lecture time</th></tr><tr><td>2022.04.19</td><td>Registered Nurse, Far Eastern Memorial Hospital</td><td>Hyperlipidemia Health Talk</td><td>1 hour</td></tr><tr><td>2022.7.18</td><td>Far Eastern Memorial Hospital - Breath Adjustment Expert</td><td>Relax - Breath Adjustment</td><td>1 hour</td></tr><tr><td>2022.10.28</td><td>Registered Nurse Wang , Far Eastern Memorial Hospital</td><td>Franky Stones - Gallstones</td><td>1 hour</td></tr><tr><td>2022.11.21</td><td>Dr. Wu, Far Eastern Memorial Hospital</td><td>Osteoporosis</td><td>1 hour</td></tr></table>					Date	Lecturer	Subject	Lecture time	2022.04.19	Registered Nurse, Far Eastern Memorial Hospital	Hyperlipidemia Health Talk	1 hour	2022.7.18	Far Eastern Memorial Hospital - Breath Adjustment Expert	Relax - Breath Adjustment	1 hour	2022.10.28	Registered Nurse Wang , Far Eastern Memorial Hospital	Franky Stones - Gallstones	1 hour	2022.11.21	Dr. Wu, Far Eastern Memorial Hospital	Osteoporosis	1 hour
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<p>(III) Investor Relations: To facilitate investors to understand the Company's operating status,</p> <p>1. A “spokesperson” system is provided to facilitate direct communication between investors and companies.</p> <p>2. Disclosure of company information at “Public Information Observatory” and company website</p>																								

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
when appropriate.				
(IV) Supplier relationship: The Company has always maintained a good relationship with suppliers. In the internal control system, we have “Supplier Management” operating procedures to maintain the quality of the supply and the relationship with suppliers, and treat suppliers with integrity.				
(V) Stakeholder: The Company respects the rights and interests of stakeholders, identifies the stakeholders of the Company, understands their reasonable expectations and needs through appropriate communication methods and the participation of stakeholders, and properly responds to important corporate social responsibility issues concerned by stakeholders. Each department is responsible for the communication with stakeholders and reports to the Board of Directors from time to time.				
Stakeholder	Main issues of concern		Communication channel and response method	
Shareholder	Market image / economic performance / compliance with environmental laws and regulations / environmental assessment of suppliers / investment / labor employment relationship / health and safety of customers / product and service labeling / ethical corporate management		1. A shareholders' meeting, held in the second quarter of each year, was held on June 9, 2022. The motion shall be voted on a case by case basis, and shareholders can also exercise their voting rights through electronic means to fully participate in the motion voting process. After the meeting, the voting results of each proposal shall be announced at the MOPS. 2. The annual report of the shareholders' meeting and business report shall be issued every year for investors' reference. 3. Publish the statistics of the previous month's revenue, the revenue of each product business and the un-audited profit and loss information on the MOPS and the Company's website every month. 4. Set up an investor zone on the Company's website to provide other non-financial related information of the Company.	
Employee	Labor employment relationship / non-discrimination / occupational health and safety / diversity and equal opportunities / talent cultivation / remuneration and welfare system / ethical corporate management		1. Labor management meetings are held quarterly. 2. An employee welfare committee has been established, and the members are elected by the employees themselves to coordinate various welfare measures. 3. Establish a labor retirement reserve supervision committee to supervise the Company to allocate sufficient old-system pensions to ensure the due welfare of employees. 4. There are educational and training procedures to cultivate talents. 5. Hold emergency response drills every year to urge employees to pay attention to workplace and their own safety. 6. Every year, a professional and qualified	

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
		Yes	No	Summary description	
				medical team is hired to go to the factory and Taipei Branch for health examination for employees, and colleagues in other business offices are arranged to go to the medical institutions with agreed health examination with the Company.	
	Supplier			Market image / economic performance / compliance with environmental laws and regulations / labor employment relationship / labor evaluation of suppliers / anti-corruption / ethical corporate management	<ol style="list-style-type: none"> 1. Irregular exchange of visits. 2. There is a supplier's environmental management procedure, and the Purchasing Department conducts environmental surveys in November and December of each year, or from time to time, on suppliers who have cooperated with the Company in the past year and those related to major environmental consideration, and issues the supplier's environmental advocacy notice to urge the supplier to comply with the environmental laws and regulations.
	Customer			ethical corporate management / innovation / supplier environmental assessment / protection of customer privacy / business performance / Marketing communication	<ol style="list-style-type: none"> 1. The customer base of the Channel Business Department is consumers. In addition to the relevant information disclosed on the Company's website, the relationship with customers is to communicate face-to-face with customers through various outlets or participate in various computer exhibitions. 2. System Manufacturing Department - <ol style="list-style-type: none"> (1) Hold dealer meetings every year, in addition to introducing the Company's new products, so as to contact with customers and understand the operation status of customers in the previous year. It was not held in 2022 due to the impact of COVID-19. (2) Conduct annual customer satisfaction survey to improve customer service. (3) Assist customers in product technical discussion from time to time. (4) Use E-supply chain system to provide overall supporting services for customer business.
	Government office			Business performance / ethical corporate management / compliance with environmental regulations / waste water management / air pollutant management / waste management / compliance with socio-economic regulations / climate change and energy	<ol style="list-style-type: none"> 1. Communicate through official documents. 2. Participate in seminars and advocacy meetings organized by the competent authority. 3. Report the information to be announced on MOPS.

Evaluation items			Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
			Yes	No	Summary description	
		conservation and carbon reduction/ water resources management				
In addition to the above stakeholder communication channels, the Company also has a stakeholder section in the annual report for the shareholders' meeting and the Company's official website to facilitate the selection and reading of stakeholders and the public, and mark the contact channels for stakeholders, hoping to strengthen accessibility, transparency, timeliness, integrity and interaction, so that the Company can understand the issues concerned by stakeholders and respond appropriately, while the feedback will be used as the basis for continuous improvement.						
(VI) Further education of Directors and supervisors:						
1. The Directors of the Company have industrial professional background and practical experience in operation and management.						
2. The Company replaced the supervisor system with an audit committee, so there is no relevant information about the further study of supervisors.						
3. Directors' further education						
Title	Name	StudyDate	Organizer	Course name	Hours of education	Whether the study follows the regulations
Independent Director	Yong-Cheng Chun	2022.02.18	Taiwan Corporate Governance Association	Unlock Key Passwords in Financial Statements	3	Yes
		2022.04.15	Taiwan Corporate Governance Association	The Trend of Technology Risk in the Cloud Era	3	Yes
		2022.09.19	Taipei Bar Association	The Science of Justice That Lawyers Know	3	Yes
		2022.09.26	Taipei Bar Association	Report interpretation, data collection and expert testimonial	3	Yes
Independent Director	Jun-Ming Wang	2022.07.22	Taiwan Corporate Governance Association	Independent Director's Role in Corporate Operation and Corporate Governance	3	Yes
		2022.11.11	Taiwan Corporate Governance Association	Trade secret protection and fraud detection practice	3	Yes
Independent Director	Xiao-Long Feng	2022.07.22	Taiwan Corporate Governance Association	Independent Director's Role in Corporate Operation and Corporate Governance	3	Yes
		2022.11.11	Taiwan Corporate Governance Association	Trade secret protection and fraud detection practice	3	Yes

Evaluation items			Operation situation		Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies	
			Yes	No		
Director	Wen-Chun Cai	2022.04.08	Securities and Futures Institute	Internal auditor to collect audit evidence	6	Yes
		2022.04.20	Securities and Futures Institute	Climate change and net-zero policy risks and opportunities for business operations	3	Yes
		2022.05.09	Taiwan Corporate Governance Association	E-commerce, Emerging Technologies and Directors' Responsibilities	3	Yes
		2022.08.15	Securities and Futures Institute	Improve verification planning, risk assessment, lack of expression and suggestions	6	Yes
		2022.11.07	Taiwan Corporate Governance Association	Performance evaluation practices related to "ESG Sustainability" and "Risk Management"	3	Yes

Note: Further education Directors and supervisors received referred to the regulations of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies"

published by the Taiwan Stock Exchange Corporation.

(VII) Implementation of risk management policies and risk measurement criteria:

Please refer to the "Review and Analysis of Financial Condition and Results of Operations and Risk Matters" note in this annual report.

(VIII) Enforcement of consumer or customer protection policies:

The Company maintains good relationships with customers and provide them with services in accordance with our internal management system, with customer satisfaction as our highest guiding principle.

(IX) The Company's purchase of liability insurance for Directors and supervisors:

Insured object	insurance company	Insured amount	Insurance period (start and end)
Directors and managers	Fubon Insurance Co., Ltd.	Limit of liability: US\$5 million	2021/8/1~2022/8/1
Directors and managers	Fubon Insurance Co., Ltd.	Limit of liability: US\$5 million	2022/8/1~2023/8/1

The renewal in 2021 was reported at the 8th session of the 13th term Board of Directors on August 3, 2022.

IX. Please explain the improvement of the corporate governance evaluation results released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and put forward priority strengthening matters and measures for those that have not been improved:
The results of the ninth corporate governance evaluation, the Company is 51% to 65% of counter companies.
After the annual evaluation results are announced, the Company will review items that have not yet met the evaluation criteria, and adjust and improve gradually.
* In addition to adjusting the content of the updated annual report and the Company's website disclosure, the Company was also invited to attend corporate briefings and disclose information (such as shareholders' meetings and financial reports) in English to enhance transparency and reduce asymmetry.

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
<p>* In terms of strengthening the structure and operation of the Board, amendments to the Articles of Association, nominating Directors, setting up information security officers and personnel, and corporate governance supervisors have been passed.</p> <p>* In promoting sustainability, dedicated units and personnel were introduced and the operation will be reported to the Board on a quarterly basis to supervise the Board.</p>				

Note: evaluation form of CPAs' independence and competence in 2023

CPAs' independence evaluation form

Assessment date: December 19, 2022

Evaluation year: 2023

Name of CPAs firm: KPMG

Name of CPAs: Wei-Ming Shi, Mei-Yan Chen

Item	Evaluation items	Yes	No
1	The CPAs have no direct or significant indirect financial interest relationship with the Company.	V	
2	There is no significant close business relationship between the CPAs and the Company.	V	
3	There is no potential employment relationship between the CPAs and the Company.	V	
4	The CPAs shall ensure the ethics, impartiality and independence of their assistants.	V	
5	The CPAs did not receive presents or gifts of significant value from the Company and its Directors and managers (their value did not exceed the general standards of social etiquette).	V	
6	The CPAs have not made any pecuniary borrowing with the Company.	V	
7	The CPAs have not concurrently engaged in other businesses that may lose their independence.	V	
8	The CPAs did not receive any commission related to business.	V	
9	The CPAs did not hold the shares of the Company.	V	
10	The CPAs are not concurrently engaged in the regular work of the Company with fixed salaries.	V	
11	The CPAs have no relationship with the Company to jointly invest or share interests.	V	
12	The CPAs have no management function related to the decision-making of the Company.	V	
13	The CPAs have not served as Directors or managers of the Company or have a significant impact on audit cases at present or within the last two years; they are also determined that they will not hold the above-mentioned relevant positions in the future.	V	
14	During the audit period, the CPAs and their spouses or dependent relatives did not serve as a Director or manager of the Company or have a direct and significant impact on the audit work.	V	
15	So far, they have not been punished or undermined the principle of independence.	V	

Evaluation results:

According to the statement of detached independence issued by Wei-Ming Shi and Mei-Yan Chen, CPAs of KPMG appointed this year, and by referring to Article 47 of the Certified Public Accountant Act and the provisions of bulletin of code of professional ethics No. 10, the evaluation result is detached and independent.

(IV) Composition, duties and operation of the Remuneration Committee

- ◆ In order to enable the Company to effectively combine performance, risk and remuneration, improve productivity and business performance, and promote the sustainable operation and development of the Company, the Company set up a remuneration committee on August 25, 2011.

The three members of the Remuneration Committee are appointed by resolution of the Board of Directors to assist the Board of Directors in the implementation and evaluation of the Company's overall remuneration and welfare policies and the remuneration of senior managers. Members of the committee shall faithfully perform their duties with the attention of good managers -

1. Formulate and regularly review the policies, systems, standards and structures of performance evaluation and remuneration of Directors, Audit committees and managers.
2. Regularly evaluate and determine the remuneration of Directors, Audit Committees and managers, be responsible to the Board of Directors, and submit the suggestions to the Board of Directors for discussion.

Within the scope of its responsibilities, the committee may invite Directors, managers of relevant departments of the Company, internal auditors, accountants, legal advisers or other personnel to attend the meeting as nonvoting delegates and provide relevant necessary information to assist them in performing their duties.


By the end of April 2023, the Remuneration Committee of the Company is composed of all three Independent Directors.


- ◆ This committee is unpaid.

(1) Information of Remuneration Committee Membership

March 31, 2023

Identity	Condition Name	Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
Independent Director / Convener	 Jun- Ming Wang	<ol style="list-style-type: none"> 1. Passed the special examination of customs affairs; Customs Administration Ministry of Finance Taipei Customs, finance manager of Easy International Marketing Corporation, chairman and general manager of Precision Mfg. Inc. 2. Working experience in business, finance, accounting and company business 3. Mr. Jun- Ming Wang is a member of the Audit Committee and the Remuneration Committee and has accounting or financial expertise. He graduated from the College of Business and Management, Tamkang University has worked as a financial manager for many years 4. No any circumstance under Article 30 of the Company Act 	<ol style="list-style-type: none"> 1. Not an employee of the Company or its affiliated enterprises 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under Paragraphs 1 or 2, Article 27 of the Company Act. 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 8. Not a Director, supervisor, officer, or shareholder holding 5% or more of the 	None

Identity	Condition Name	Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
			<p>shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any Director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
Independent Director	 Yong-Cheng Chun	<ol style="list-style-type: none"> 1. passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong- Cheng Chun (Zhisheng) Law Firm 2. Professional and technical personnel who have passed the examination of lawyers and magistrates with certificates, and have the working experience required by business, legal affairs, finance, accounting and company business 3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act 	<ol style="list-style-type: none"> 1. Not an employee of the Company or its affiliated enterprises. 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under 	None

Identity	Condition Name	Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
			<p>Paragraphs 1 or 2, Article 27 of the Company Act.</p> <p>6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares.</p> <p>7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company.</p> <p>8. Not a Director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any Director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
Independent Director	 Xiao- Long Feng	1. Reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and Director, manager of news department and Director of BCC, spokesman of BCC, Director of Satellite Television Broadcasting Association, R.O.C., Director of China Journalism Society, part-time lecturer of	1. Not an employee of the Company or its affiliated enterprises 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the	None

Identity	Condition Name	Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
		<p>Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin University, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University.</p> <p>2. Working experience in business, finance, accounting and company business</p> <p>3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act</p>	<p>person's spouse, minor children, or in the name of others.</p> <p>4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.</p> <p>5. Not a Director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as Director or supervisor of the Company under Paragraphs 1 or 2, Article 27 of the Company Act.</p> <p>6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares.</p> <p>7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company.</p> <p>8. Not a Director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any Director.</p>	

Identity	Condition Name	Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
			11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	

(2) Operation of Remuneration Committee

- I. The Remuneration Committee of the Company consists of three members.
- II. Term of office of the current (4th term) member: June 18, 2020 to June 17, 2023.

The Remuneration Committee has held 3 meetings (A) in recent years. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (B)	Number of delegated attendance	Actual attendance (%) (B/A)	Remark
Convener	Jun- Ming Wang	3	0	100	
Committee member	Yong-Cheng Chun	3	0	100	
Committee member	Xiao- Long Feng	3	0	100	

Other matters to be recorded:

- I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date, term, content of the proposal, the resolution results of the Board of Directors and the Company's handling of the opinions of the Remuneration Committee (if the remuneration passed by the Board of Directors is better than the recommendations of the Remuneration Committee, it shall state the differences and reasons):

There are no circumstances in which the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee.

- II. Decisions of the salary, and Remuneration Committee
For the decisions of the Remuneration Committee, if the members of the Remuneration Committee have objections or reservations and have records or written statements, the date, term, content of the proposal, opinions of all members and the handling of the opinions of members shall be stated:

No member has any objection or reservation.

- III. Compensation Committee self-evaluation cycle and period, evaluation scope, method and evaluation content information:

- (I) Perform the performance evaluation of the Board of Directors and functional committees in accordance with the Company's "board performance evaluation measures".

- (II) Evaluation cycle: the performance evaluation of the internal Board of Directors shall be carried out at least once a year.
- (III) Evaluation period: from January 1, 2022 to December 31, 2022.
- (IV) Evaluation scope: including the performance evaluation of the overall Board of Directors, individual board members and functional committees.
- (V) Evaluation method: self-evaluation, including internal self-evaluation of the Board of Directors and functional committees and self-evaluation of board members.
- (VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point
- (VII) Performance evaluation results of the Remuneration Committee: excellent

In the performance evaluation of the Remuneration Committee, the measurement results cover five aspects, the total number of questions is 21, and the average score of each aspect is 4.82 (the full score is 5).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the Company	4	4.67	
B. Awareness of Remuneration Committee Responsibilities	4	4.75	
C. Improvement on the decision-making quality of the Remuneration Committee	7	4.95	
D. Composition and member selection of Remuneration Committee	3	4.89	
E. Internal controls	3	5.00	
Total / average	21	4.85	Excellent

(VIII) Conclusion:

According to the evaluation results, the organization and operation of the Remuneration Committee is good. the Company will continue to refine the functions of the Remuneration Committee to improve the effectiveness of corporate operation and corporate governance.

IV. Key Resolutions for the 2022 Remuneration Committee

Remuneration Committee Date	Content of proposal	Member opinion	Handling of opinions
7th session of the 4th term 2022.03.09	1. Review the performance evaluation of the Company's Directors and managers in 2021 2. Reviewed the Company's "Performance Evaluation Measures for Directors and Managers" 3. Reviewed the amendments to the Company's "Directors' and Manager's Remuneration Management Measures"	No objection and reservation	None

Remuneration Committee Date	Content of proposal	Member opinion	Handling of opinions
	4. Reviewed the proposal on the remuneration of Directors and employees of the Company in 2021 5. Reviewed the Company's salary adjustment plan for 2022 6. Review the salary adjustment evaluation of managers of the Company in 2022		
The 8th session of the 4th term 2022.07.15	1. The Company's 2021 Directors' remuneration distribution plan 2. Remuneration distribution plan of the Company's managers in 2021 3. Amendments to the Company's "Directors' and Manager's Remuneration Management Measures".	No objection and reservation	None
The 9th session of the 4th term 2022.12.19	Review of the remuneration of Directors and managers of the Company in 2022	No objection and reservation	None

(V) Implementation of promoting sustainable development and differences with the code of practice for sustainable development of TWSE/TPEX-listed companies and reasons:

practice for sustainable development of T W S E / T P E X - listed companies and reasons.																									
Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies																					
	Yes	No	Summary description																						
I. Does the Company establish a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is handled by the senior management authorized by the Board of Directors, and the supervision of the Board of Directors?	V		<div>1. On April 27, 2022 the 12th session of the 13th Board of Directors adopted, since June 2022, set upfull-time unit for promoting sustainable development: Ministry of Industry Safety, 1 full-time staff: He Bolin, set December 2027 as the planning date for the inspection and December 2029 as the verification planning date, and the progress will be reported to the Board on a quarterly basis. Lee Board of Directors Supervisors.</div> <div>2. On August 3, 2022, the 14th session of the 13th Board of Directors reported theinventory planning The current implementation status is as follows:</div> <table><tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr><tr><td>Carbon Inventory Starts from Smart Green EnergyFactory_ Carbon Plate Survey</td><td>2022/4/22</td><td>Easy network</td></tr><tr><td>Carbon Inventory Starts from a Smart Green Factory -Energy Performance</td><td>2022/5/6</td><td>DINGXIN COMPUTER</td></tr><tr><td>Carbon Inventory Starts with a Smart Green Factory -Carbon Reduction Strategy</td><td>2022/5/27</td><td>Growing Energy</td></tr></table> <div>3. On November 2, 2022, the 15th meeting of the 13th Board of Directors reported thecurrent implementation of the inventory planning as follows:</div> <table><tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr><tr><td>Carbon Management Solutions</td><td>2022/09/30</td><td>Easy network</td></tr><tr><td>Create a new energy saving and carbon reduction enterprise with carbon inventory and energy management</td><td>2022/10/07</td><td>DINGXIN COMPUTER</td></tr></table> <div>4. On December 21, 2022, the 13th Board of Directors of the Sixteenth Board of Directors reported thecurrent implementation of the inventory planning as follows:</div>	Course name	Class Date	Class Units	Carbon Inventory Starts from Smart Green EnergyFactory_ Carbon Plate Survey	2022/4/22	Easy network	Carbon Inventory Starts from a Smart Green Factory - Energy Performance	2022/5/6	DINGXIN COMPUTER	Carbon Inventory Starts with a Smart Green Factory - Carbon Reduction Strategy	2022/5/27	Growing Energy	Course name	Class Date	Class Units	Carbon Management Solutions	2022/09/30	Easy network	Create a new energy saving and carbon reduction enterprise with carbon inventory and energy management	2022/10/07	DINGXIN COMPUTER	No significant difference
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Carbon Inventory Starts from Smart Green EnergyFactory_ Carbon Plate Survey	2022/4/22	Easy network																							
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Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies									
	Yes	No	Summary description										
			<table><tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr><tr><td>“Building a New Energy Saving and Carbon Reduction Enterprise with Carbon Inventory and Energy Management” 【Energy Management】 Specific Improvement Plan"</td><td>2022/11/4</td><td>DINGXIN COMPUTE R</td></tr><tr><td>Seminar on Practical Application of Carbon Inventory Platform</td><td>2022/11/21</td><td>Green Network</td></tr></table>	Course name	Class Date	Class Units	“Building a New Energy Saving and Carbon Reduction Enterprise with Carbon Inventory and Energy Management” 【Energy Management】 Specific Improvement Plan"	2022/11/4	DINGXIN COMPUTE R	Seminar on Practical Application of Carbon Inventory Platform	2022/11/21	Green Network	
Course name	Class Date	Class Units											
“Building a New Energy Saving and Carbon Reduction Enterprise with Carbon Inventory and Energy Management” 【Energy Management】 Specific Improvement Plan"	2022/11/4	DINGXIN COMPUTE R											
Seminar on Practical Application of Carbon Inventory Platform	2022/11/21	Green Network											
II. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to the Company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?		V	It was passed by the Company on the 12th session by the 13th Board of Directors on April 27, 2022 that since June 2022, the Company established adedicated unit to promote sustainable development, set up a preliminary schedule and report to the Board on a quarterly basis. The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.	No significant difference									
III. Environmental issues (I) Does the Company establish an appropriate environmental management system according to its industrial characteristics?	V		1. In order to fulfill the corporate responsibility of environmental protection and taking care of the safety and health of colleagues, and based on the conscious awareness of environmental protection, the management needs of pollution prevention and control, and the responsibility of environmental protection and social responsibility, the Company established an environmental management system according to the requirements of ISO-14001 International standard in 2003, passed the ISO-14001 environmental management system certification in October 2005, and incorporated RoHS production into the ISO140014 system in	No significant difference									

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			<p>2006 to set environmental sustainability objectives and regularly review progress. Through the operation of the environmental management system (ISO14001), it also has an "environmental manual" and relevant management procedures according to its own industrial characteristics, holds an environmental management review meeting every six months, and is audited by external units to the factory every year. And we continue to pay attention to the revision of relevant laws and regulations, so that the Company can formulate countermeasures in time, achieve the purpose of effectively controlling environmental risks, and improve employees' awareness of harmful substances and emergency response ability.</p> <p>2. The Company is committed to promoting smoke prevention and health promotion in the workplace. It has been assessed by the Health Promotion Administration, MOHW as meeting the Ten Year Award Badge of Accredited Healthy Workplace.</p> <p>3. Certificate related information</p> <p>* ISO 9001-</p> <p>Issued by: Taiwan Products Testing and Certification Center</p> <p>Certificate No.: 3EAY017-03</p> <p>Date of issue: September 23, 2022</p> <p>Term of validity: September 22, 2025</p> <p>* ISO 14001-</p> <p>Issued by: Taiwan Products Testing and Certification Center</p> <p>Certificate No.: 3EAE002-03</p> <p>Date of issue: September 23, 2022</p> <p>Term of validity: September 22, 2025</p> <p>* Health Activation Badge of Accredited Healthy Workplace</p> <p>CertificateNo. : HPAB1101034</p> <p>Date of issue: February 14, 2022</p> <p>Validity: January 1, 2022 to December 31, 2024</p>	
(II) Is the Company committed to improving energy efficiency and using recycled materials with low impact on	V		The Company is continuously committed to improving the utilization efficiency of various resources: for example, encourage employees to carry Bento boxes and environmentally friendly chopsticks, and reduce the use of paper lunch boxes; envelopes and kraft paper bags are reused as internal document transfer bags. In order to avoid environmental pollution and waste of	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies																		
	Yes	No	Summary description																			
environmental load?			resources caused by the discarding of toner cartridges, the toner cartridges used by copiers or printers are handed over to the Park Management Committee for recycling and disposal, and environmentally friendly toners are used.																			
(III) Does the Company evaluate the potential risks and opportunities of climate change to enterprises now and in the future, and take relevant countermeasures?	V		The Company has the Industrial Safety Department as a special unit dealing with labor safety and environmental management. However, it is also the responsibility of all departments to maintain the environment. In addition to the "environmental manual" and relevant management procedures, it also regularly tracks and reviews the implementation of various energy conservation and carbon reduction plans, continues to pay attention to the impact of the evolution of international climate change related agreements and national laws and regulations on the Company, and timely formulates appropriate countermeasures to reduce the impact on the operation and reduce the impact of the Company's operation on the natural environment.	No significant difference																		
(IV) Does the Company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction or other waste management?	V		<div>1. The statistics of the head office and factories in 2021 and 2022 are as follows:</div> <table><tr><td>Item</td><td>2022</td><td>2021</td></tr><tr><td>General solid waste volume - hazardous substances (ton)</td><td>1.79</td><td>1.40</td></tr><tr><td>Wood pallet clearing and transportation (3.5 tons / vehicle)</td><td>2</td><td>2</td></tr><tr><td>Plant carbon dioxide (Legal 5,000ppm)</td><td>524~679</td><td>462~647</td></tr><tr><td>Water consumption (degree)</td><td>2,106</td><td>2,215</td></tr><tr><td>Lead concentration in air</td><td>0.00367 mg/m3</td><td>0.00363 mg/m3</td></tr></table> <div>2. The abovedata is our own outsourced testing and statistics, and has not been certified by third parties.</div>	Item	2022	2021	General solid waste volume - hazardous substances (ton)	1.79	1.40	Wood pallet clearing and transportation (3.5 tons / vehicle)	2	2	Plant carbon dioxide (Legal 5,000ppm)	524~679	462~647	Water consumption (degree)	2,106	2,215	Lead concentration in air	0.00367 mg/m3	0.00363 mg/m3	No significant difference
Item	2022	2021																				
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Water consumption (degree)	2,106	2,215																				
Lead concentration in air	0.00367 mg/m3	0.00363 mg/m3																				
IV. Social issues (I) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and	V		<div>In order to protect the rights and interests of all workers, all human rights actions of the Company strictly abide by the provisions of Labor Standards Act and regulations to protect employees. The relevant guidelines for human rights management are as follows:</div> <div>1. The Company holds labor-management meeting every quarter. Although there is no labor union at present, the Company holds labor-management</div>	No significant difference																		

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	
International Bill of Human Rights?			<p>meeting every quarter, with five representatives from both labor and management to discuss various topics, so as to promote an effective and fair communication mechanism, promote labor and management harmony and create a win-win situation.</p> <p>2. Formulate the "measures for appeal and punishment of sexual harassment prevention measures in the workplace" to safeguard the rights and interests and privacy of the parties.</p> <p>3. Through the "supplier evaluation method" and sending the supplier's "commitment letter of environmental restricted substances for green products" and "ISO14001 supplier environmental publicity notice" every three years, we hope to examine human rights issues with a more positive attitude and a broader perspective through communication and cooperation with suppliers, and be responsible for various social and environmental issues.</p> <p>4. On the day of the newcomer's report, the Personnel Department will promote the Company's policies to new employees and show the importance of human rights issues.</p>	
(II) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacation and other benefits), and properly reflect the business performance or results in the employee remuneration?	V		<p>1. The salary and remuneration policy of employees is determined based on personal ability, contribution to the Company, performance, competitiveness and future operation risks of the Company. Article 20 of the articles of association of the Company stipulates that if the Company makes profits in the year, it shall allocate 5% ~ 10% as the remuneration of employees, which shall be distributed in shares or cash by resolution of the Board of Directors.</p> <p>2. It has formulated the "code of conduct for employees", "performance appraisal measures", "reward and punishment measures", "overtime and compensatory leave management measures", "employee retirement management measures", "employee leave management measures", "wedding and funeral greetings management measures" and "education and training procedures". In addition to advocating relevant corporate ethics, employee performance, reward and punishment systems, it also lists talents, systems and forward-looking deployment as assessment indicators, echoing the</p>	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			important mission of corporate social responsibility and people-oriented enterprise sustainable development, in order to enhance the Company's future competitiveness.	
(III) Does the Company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	V		<ol style="list-style-type: none"> 1. For many years, the Company has set up an environment-friendly, safe and healthy workplace in accordance with the requirements of relevant laws and regulations such as environmental protection, occupational safety, fire control and Ionizing radiation, as well as the results of environmental impact and safety risk assessment. 2. The emergency response drill in the plant area is carried out every year and has been completed on September 27, 2022. The lecturer of Taiwan Safely and Fire Protection Association is invited to guide. 3. We send personnel to participate in the fire prevention / fire fighting / refuge retraining held by the park management committee every six months, and have participated on March 16, 2022. 4. The annual health examination was carried out on March 21, 2022: general health examination: 153 people were examined; including health examination for special operations: (1) ionizing radiation: 4 persons tested (2) lead: 28 persons tested. 5. In response to the needs of workplace safety control and management, and in line with the Company's deployment of full automation for future operations, the "face recognition and access system" was built in the third quarter of 2019 and officially put into operation in January 2020. 6. the Company is committed to promoting smoke prevention and health promotion in the workplace. It has been assessed by the Health Promotion Administration, MOHW as meeting the Tex Year Award Badge of Accredited Healthy Workplace. 7. In 2022, there was an employee commuting accident, and the Company has assisted in proper handling. 	No significant difference
(IV) Does the Company establish an effective career competency development	V		<ol style="list-style-type: none"> 1. The Company has established "education and training procedures" to improve the quality of employees and enhance employees' professional knowledge and skills. 2. The Company's education and training is divided into pre-service training and on-the-job training. 	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	
training plan for employees?			<p>Pre-service training: It is divided into general pre-service training and pre-service training within the department.</p> <p>I. General pre-service training: That is, the training of new employees is directly handled by the HR unit. The purpose is to guide new employees to be familiar with the working environment and relevant regulations, so as to integrate into the Company's organizational culture. The training contents include:</p> <p>(I) Description and introduction of the Company's historical evolution.</p> <p>(II) According to the "company organization and rights and responsibilities operating procedures", employees can understand the rights, responsibilities and responsibilities of the unit.</p> <p>(III) According to the instructions of "employee work rules", employees can understand the Company's management rules and regulations</p> <p>(IV) Publicize the Company's quality policy, environmental policy and quality objectives.</p> <p>(V) Description of various welfare measures of the Company.</p> <p>(VI) Advocate the "code of practice on labor safety and health" to prevent occupational disasters.</p> <p>(VII) Advocate "emergency response management procedures" to reduce disaster losses.</p> <p>(VIII) Other specified or advocated policy descriptions.</p> <p>II. Pre-service training within the department: The hiring supervisor shall assign senior or professional personnel to guide the new employees, and provide pre-service guidance according to the specific work needs of the department, so that the employees can learn the situation immediately.</p> <p>On the job training: Since the compliance with product quality requirements will be directly or indirectly affected by the implementation of relevant staff, the heads of each unit may consider the work of employees and provide relevant professional knowledge or skill training to cultivate their ability. Training methods can be divided into internal training and external training.</p> <p>I. Internal training includes unit training or cross-departmental training, project training, academics</p>	

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			<p>or experts to our company, and online platform training.</p> <p>II. External training may be assigned by the Company or applied for by employees, and subsidy measure applied by employees has been stipulated.</p> <p>3. Annual training hours planning: (1) manager, deputy manager, section chief, specialist, secretary and engineer: 24h / year (2) team leader, assistant, technician and other direct employees: 15h / year</p> <p>4. For details, please refer to page 131 of this annual report.</p>	
(V) Does the Company comply with relevant laws and regulations and international standards on issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers or customers?	V		<p>1. The Company is committed to the R&D and innovation of manufacturing technology to provide excellent products. With the spirit of excellence, we continue to improve to provide customers with high-quality products.</p> <p>2. In terms of quality management system and environmental management system, it has passed the verification of the following standards after being verified by relevant verification institutions:</p> <p>(1) ISO9001 quality management system certification</p> <p>(2) ISO14001 environmental management system certification.</p> <p>3. The Company's "code of ethical corporate management" stipulates that the Company's personnel shall abide by the relevant laws and regulations on intellectual property, standardize business activities and protect the rights and interests of consumers in accordance with applicable laws and regulations and international standards.</p> <p>4. The Company has nine internal control cycles to standardize each operation process. In order to protect the rights and interests of consumers, a customer service department is set up to protect the rights and interests of consumers or customers. The customer complaint contact window is marked on the Company's website (www.crete.com.tw).</p> <p>Customer complaint window: North District (02) 23221769 AVP Shi-Zhe Lin; Central South District (07) 2358069 AVP Xin-Xiong Huang.</p>	No significant difference
(VI) Does the Company formulate supplier management policies to require	V		<p>1. Investigate and evaluate the supplier's production capacity, understanding the Company's environmental policies, factory affairs and business conditions before procurement, and 2. confirm that the supplier has</p>	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies												
	Yes	No	Summary description													
suppliers to comply with relevant regulations and their implementation on environmental protection, occupational safety and health or labor human rights?			<p>sufficient ability to produce the product quality specifications and delivery date required by the Company. the Company has a "supplier evaluation method".</p> <p>The "supplier evaluation method" specifies -</p> <p>1. Rights and responsibilities: Purchasing Department: responsible for the evaluation and compilation of suppliers' delivery time and warehouse management ability. R&D Division: responsible for the evaluation of supplier's process capability. Quality Assurance Department: responsible for the evaluation of supplier quality capability.</p> <p>2. All the production materials delivered by our suppliers to our company shall meet the "environmental restricted substances standard for green products". It is expected to use the influence of the Company to promote environmental protection and safety management to the main suppliers of the Company through supply chain management.</p> <p>3. Supplier environmental management -</p> <p>(1) Environmental policy advocacy and communication of environmental requirements</p> <p>(2) Supplier environmental audit If the supplier has significant impact on the society due to environmental pollution or violation of labor human rights, we will first ask the supplier to make an explanation, investigate according to the situation, and evaluate the feasibility of terminating or cancelling the contract.</p> <p>4. For 289 qualified suppliers in 2022, the evaluation results are as follows –</p> <table><tr><th>Item</th><th>Qualified number</th><th>% of suppliers</th></tr><tr><td>Environmental Promotion Notification Form</td><td>289</td><td>100.0</td></tr><tr><td>Letter of commitment for environmental restricted substances of green products</td><td>242</td><td>83.7</td></tr><tr><td>Conflict-Free Minerals Statement</td><td>248</td><td>85.8</td></tr></table>	Item	Qualified number	% of suppliers	Environmental Promotion Notification Form	289	100.0	Letter of commitment for environmental restricted substances of green products	242	83.7	Conflict-Free Minerals Statement	248	85.8	
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Environmental Promotion Notification Form	289	100.0														
Letter of commitment for environmental restricted substances of green products	242	83.7														
Conflict-Free Minerals Statement	248	85.8														

Promoted items	Implementation					Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description			
			Magnets and Tungsten Declaration	207	71.6	
			Integrity Statement	199	68.9	
			Average Delivery Quality 98.76%			
			In 2022, due to the impact of COVID-19, the supplier's environmental onsite audit was not implemented			
V. Does the Company refer to the internationally accepted standards or guidelines for the preparation of reports to prepare sustainability reports and other reports that disclose the Company's non-financial information? Has the disclosure report obtained the confirmation or assurance opinion of the third-party verification unit?		V	The Company has not yet prepared a sustainability report, but is committed to promoting various issues related to sustainability, and will be prepared in the future, taking into account international trends and market changes.			No significant difference
VI. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its operation and the established code: At present, the Company does not have a “Code of Practice for Listed Companies on Sustainable Development”, but the Company knows that enterprises are part of a social citizen and have their responsibility to fulfill the social responsibility. Considering, all aspects of promoting corporate governance, the development of sustainable environment, etc., have positive, concrete and practical efforts, and take positive human nature as the starting point, subtly into a way to promote, and to integrate the Company culture as a practical goal, so The overall sustainable development operation of the Company is in line with the relevant principles of the Code of Practice, there are no major differences. Please refer to the above for the sustainability operation of our company.						
VII. Other important information helpful to understand the implementation of promoting sustainable development: (I) Environmental protection In October 2005, the Company was verified by the environmental management system of ISO 14001 of the Bureau of Standards,						

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	
Metrology and Inspection, M.O.E.A., and launched environmental protection related schemes every year for improvement. At present, we are actively promoting green products (GP), which have reached the specifications of WEEE and RoHS. In the future, we will aim to achieve EuP and comply with national environmental policies. The Company's current environmental objectives and management plans are summarized as follows:				
Serial number	Target		Plan	Implementation
1	Follow environmental regulations and implement pollution prevention		<ul style="list-style-type: none">* Environmental impact assessment procedure* Management procedure for registration and audit of environmental protection regulations* Management procedure for environmental objectives and targets* Management procedure for environmental management plan implementation* Operating procedures for environmental education and training* Management procedure for environmental communication* Management procedure for environmental supervision and measurement	Follow environmental regulations and requirements of relevant groups, and continuously promote environmental improvement and pollution prevention
2	Fulfill the responsibility of energy conservation, waste reduction and environmental protection		<ul style="list-style-type: none">* Waste management procedure	Save energy, establish waste management plan in the plant, comply with laws and regulations and promote resource recycling
3	Implement and reduce the impact of defective products on the environment		<ul style="list-style-type: none">* Management procedure for supplier and environment* Operating procedure for product environment design* Operating procedure for internal quality audit	Process R&D focuses on reducing the impact of products on the environment, reducing the defective rate and reducing the generation of defective products
4	Strengthen the concept of fire prevention and management		<ul style="list-style-type: none">* Fire fighting facilities management procedure	Strengthen the management of fire-fighting facilities and implement the concept of

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	

				disaster prevention
5	Continuously improve and create a high-quality working environment		<ul style="list-style-type: none"> * Management procedure for air quality * Management procedure for hazardous chemical substance * Procedure for noise control * Management procedure for emergency response 	Advocate the concept of environmental protection, improve the plant environment and provide employees with a good working environment. And provide appropriate information, education and training to enable employees and third-party manufacturers to have a better understanding of environmental protection awareness, so that all employees can have a better understanding of the earth's environmental protection awareness, hoping that all employees can contribute to the earth's environmental protection and natural symbiosis

In recent years, the Environmental Protection Administration has vigorously promoted energy conservation and carbon reduction, and the Company has fully cooperated with it (such as taking fewer times of elevators and taking more stairs); According to the law, the enterprise wastes shall be cleared, transported and treated by qualified vendors, and the resource recovery and general wastes shall be handled in accordance with the regulations to reduce the possible environmental pollution. In addition, three environmental management plans shall be marked according to the Company's situation every year.

The implementation of the environmental management plan in 2022 is as follows:

Plan name	Responsible unit	Environmental objectives	Environmental target	Implementation
EU REACH directive management	R&D Division	Energy saving, carbon reduction, pollution prevention and harmlessness.	2021 annual certification data collection, analysis and systematic sorting, and new products (DH8) fully meet the requirements of REACH specification.	Received REACH report in January 2023.
Water Saving Solutions.	Purchasing Department	Effectively master water resources and promote water conservation.	Reduce annual paper water consumption by more than 1%.	Water saving up to 5%
"Reduce	Production	Replace DIP	After the old materials in the plant	Both PIH and DIP

Promoted items		Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies								
		Yes	No	Summary description									
harmful waste gas generated by welding"	section 1	process with PIH production	are used, the production of PIH components will be gradually introduced	operating technologies are achieved for smooth application									
<p>Compliance record of environmental protection regulations: there was no violation of environmental protection regulations in 2022.</p> <p>(II) Social contribution The Company is committed to the development of core business to protect the right to work and related benefits of employees, with a view to making a modest contribution to the society.</p> <p>(III) Safety and health management In view of the importance of working environment and personal safety protection measures for employees, the Company carries out major environmental consideration with the management system of ISO 14001, and gives priority to improvement by using objective and plan management; The lower risk is controlled by operation control, which has achieved remarkable results and control after good operation improvement.</p> <ol style="list-style-type: none">1. Set the Industrial Safety Department as the dedicated unit.2. According to the Occupational Safety and Health Act, through the management spirit of planning, implementation, inspection and action cycle management, we can achieve the objectives of preventing accidents, promoting employee safety and health and protecting the Company's assets.3. In addition to accident prevention, we also formulate emergency response management procedures to clearly standardize the emergency handling process and the Company's emergency response organization. In case of a disaster, it can ensure the life safety of the Company's employees and manufacturers' personnel and the property interests of the Company's investors, and avoid or reduce the impact of the accident disaster on the society and environment.4. Hold emergency response and evacuation drills every year to ensure that the Company minimizes disaster losses.5. Conduct health examination for employees every year.6. The management plans related to labor safety and health management are: <table><tr><th>Nature</th><th>Plan name</th></tr><tr><td rowspan="2">Labor safety</td><td>1. Fire fighting facilities management procedure</td></tr><tr><td>2. Management procedure for hazardous chemical substance</td></tr><tr><td rowspan="3">Health management</td><td>1. Management procedure for air quality</td></tr><tr><td>2. Procedure for noise control</td></tr><tr><td>3. Management procedure for emergency response</td></tr></table>					Nature	Plan name	Labor safety	1. Fire fighting facilities management procedure	2. Management procedure for hazardous chemical substance	Health management	1. Management procedure for air quality	2. Procedure for noise control	3. Management procedure for emergency response
Nature	Plan name												
Labor safety	1. Fire fighting facilities management procedure												
	2. Management procedure for hazardous chemical substance												
Health management	1. Management procedure for air quality												
	2. Procedure for noise control												
	3. Management procedure for emergency response												

Note 1: Specific description on risk assessment of major issues

Major issues	Risk assessment items	Importance to the Company	Management strategy
Environment	Compliance with regulations on environmental protection	The Company is a professional company that designs and manufactures rugged notebook computers that meet the environmental requirements of green products. In order to fulfill the enterprise's responsibility to society, protect and contribute to the environment, the Company will fully implement the environmental management system that meets the ISO14001 standard.	The ISO management representative and its designated personnel are responsible for the collection, storage, screening, registration, audit, review, version update, distribution, cleaning and destruction of environmental protection laws and regulations, so as to ensure compliance with government decrees and relevant international conventions.
	Energy saving, waste reduction and environmental protection	Based on the sustainable development of environment-friendly and green manufacturing enterprises, we continue to supervise or improve the	Save energy and establish waste management plan in the plant, comply with laws and regulations and promote resource recycling.
	Reduce the impact of defective products on the environment	reduction of energy management, air pollution prevention and control and waste management, and implement and strive to reduce the environmental impact caused by manufacturing.	Process R&D focuses on reducing the impact of products on the environment, reducing the defective rate and reducing the generation of defective products.
Sociology	Fire management and disaster prevention	In order to prevent occupational disasters and ensure the safety and health of employees, the	Strengthen the management of fire-fighting facilities and implement the concept of disaster prevention.
	Improve and create a high-quality working environment	Company has an Industrial Safety Department to promote various labor safety and health-related businesses, so as to effectively	Advocate the concept of environmental protection, improve the plant environment and provide employees with a good working environment. And provide
	Prevention and control of air pollution	reduce potential hazard risks, prevent accidents, protect workers' physical and mental health, and ensure the assets and	appropriate information, education and training, so that employees and third-party manufacturers can have a better understanding of
	Prevention and control of toxic chemicals	operation of the Company.	environmental protection awareness, based on all employees' awareness for the earth's environmental protection, so all of our employees can contribute to the earth's environmental protection and natural symbiosis.

Major issues	Risk assessment items	Importance to the Company	Management strategy
Corporate governance	Economic performance	Good business strategy can maintain a sound capital base, sustain the confidence of investors, creditors and the market, support the development of future operations, and maximize the interests of customers, manufacturers and employees	<ol style="list-style-type: none"> 1. Continuously improve design, quality and service to achieve the highest customer satisfaction 2. Committed to the improvement of product performance and value 3. Constantly get rid of the old and bring forth the new to meet customers' demand 4. Advance and strive towards the goal of green environmental protection design, production, service and management.
	Anti-corruption	"Ethics and responsibility" is one of the core values of the enterprise. the Company adheres to the principle of corporate governance and requires the members of the governance unit to cooperate with the Company Employees shall have high ethics, implement the policy of ethical corporate management, and prohibit any conduct detrimental to our reputation and interests, so as to achieve the goal of sustainable operation.	<ol style="list-style-type: none"> 1. The new employee training course advocates the Company's core value of "ethics and responsibility" 2. Formulate "code of ethical corporate management" and "code of ethical conduct".
	Socio-economic / regulatory compliance	Failure to comply with social and economic regulations may affect corporate image and goodwill, operational risk, so the Company abides by tax commitment, advocate the principle of integrity, set up occupational safety and health procedures to maintain long-term stable development of the Company.	Let employees know and comply with relevant laws and regulations through education and training, and publishing compliance announcements.

(VI) The Company's performance of ethical corporate management and measures taken:

Implementation of ethical corporate management

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
<p>I. Formulate ethical corporate management policies and plans</p> <p>(I) Whether the Company has formulated a ethical corporate management policy approved by the Board of Directors, and clearly stated the policies and practices of ethical corporate management in the rules and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the operation policy?</p>	V		<p>(I) The Company has established a "code of ethical corporate management", "operation procedures and guidelines of conduct for ethical corporate management" and "code of ethical conduct" and placed them on the Company's website to demonstrate the commitment of the Board of Directors and management to actively implement the business policies. State in the "operation procedures and guidelines of conducts for ethical corporate management" the policies and practices of ethical management.</p>	No significant difference
<p>(II) Does the Company establish an evaluation mechanism for the risk of unethical conduct, regularly analyze and evaluate the business activities with high risk of unethical conduct within its business scope, and formulate a plan to prevent unethical conduct, which at least covers the preventive measures for the conducts in paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	V		<p>(II) The "operation procedures and guidelines of conduct for ethical corporate management" formulated by the Company include the prohibition of unethical conduct, the reporting system, and the punishment for violation of regulations, which are placed on the website of the Company.</p> <p>The Audit Office is designated by the Company as a dedicated unit to handle the revision, implementation, interpretation, consulting services, registration and filing of notification contents and other related operations of these operating procedures, supervise the implementation, list its main responsibilities in detail, and report to the Board of Directors on a regular basis.</p> <p>Annual integrity management promotion of 2022 was handled by the audit office on October 28,</p>	

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(III) Does the Company specify the operating procedures, conduct guidelines, punishment and appeal system for violations in the plan for preventing unethical conduct, implement it, and regularly review and amend the aforementioned plan?	V		<p>and issued report of the Company having not violated the integrity in 2022 on December 21, 2022 in the 16th session of the 13th Board of Directors meeting.</p> <p>(III) The Company clearly regulates the unethical conduct plan in the "operation procedures and guidelines of conduct for ethical corporate management", specifies the operation procedures, conduct guidelines, punishment and appeal system for violations, implements them, and regularly reviews and modifies the above plan, so as to improve the effectiveness of ethical corporate management of the Company.</p>	
<p>II. Implement ethical corporate management</p> <p>(I) Does the Company evaluate the ethical record of the trading partner and specify the ethical conduct terms in the contract signed between the Company and the trading partner?</p>	V		<p>(I) The Company's "operation procedures and guidelines of conduct for ethical corporate management" -</p> <ol style="list-style-type: none"> Article 17 stipulates: Before establishing business relations with others, the Company shall first evaluate the legitimacy, ethical corporate management policies and records of unethical conduct of agents, suppliers, customers or other business contacts, so as to ensure that its business operation is fair and transparent and will not ask for, provide or accept bribes. Article 20: When signing a contract with others, the Company shall fully understand the ethical corporate management of the other party, and incorporate compliance with the ethics policy of the Company into 	No significant difference

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			<p>the terms of the contract. At least the following matters shall be specified in the contract:</p> <ol style="list-style-type: none"> (1) After signing the contract, the contracting party shall advocate and explain the honesty code within the Company. (2) When a contracting party violates the principle of ethics, its improper interests or losses may be claimed from the other party and may be deducted from the contract price payable. (3) If the contracting parties are involved in unethical conduct in their commercial activities, the other party may sever the trading relationship between them. 	
(II) Does the Company set up a dedicated unit subordinate to the Board of Directors to promote ethical corporate management, and regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy, plan to prevent unethical conduct and supervision and implementation?	V		<p>(II) The Company designated the audit office as a dedicated unit to promote corporate integrity management, and should report to the Board of Directors on a regular basis with integrity management policy and anti-integrity behavior plan and supervise the implementation. The performance of integrity in the year 111 was reported to the Sixteenth Board of Directors on December 21, 2022.</p>	
(III) Does the Company formulate policies to prevent conflicts of interest, provide appropriate presentation channels, and implement them?	V		<p>(III)</p> <ol style="list-style-type: none"> 1. The Company's "Rules of Directors' Meeting" expressly require Directors to have interested parties in the Board of Directors to express their opinions and answers, discuss 	

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit formulates the relevant audit plan according to the evaluation results of the risk of unethical conduct, so as to check the compliance of the plan to prevent unethical conduct, or appoint CPAs to carry out the audit?	V		<p>and vote should be avoided; and in the rules of work of employees expressly require colleagues to perform business conflicts of interest, should be reported to be supervisors.</p> <p>2. The Company's "Integrity Operating Procedures and Code of Conduct" and "Code of Ethics" shall not directly or indirectly provide, promise, demand or accept any improper interests, or otherwise violate integrity, illegal or contrary to fiduciary obligations in order to obtain or maintain benefits.</p> <p>3. The internal independent whistleblower mailbox is specified in Article 21 of the "operation procedures and guidelines of conduct for ethical corporate management" vanessaw@crete.com.tw or hotline (02) 26626074 * 303 as the statement channel. There was no internal independent report in 2022.</p> <p>(IV) The Company has established internal control system, internal audit system, accounting system and various management rules, implemented the requirements and regulations of good faith operation in the implementation, conducted internal audit, and regularly and irregularly implemented relevant audit matters, and reported the audit results to the Board of Directors. The Company has not commissioned accountants to perform checks to prevent</p>	

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(V) Does the Company regularly hold internal and external education and training on ethical corporate management?	V		dishonest behavior plan compliance. (V) On October 28, 2022, the Audit Office advocated to strengthen colleagues' awareness and importance of the Company's rules - operation procedures and guidelines of conduct for ethical corporate management, internal major information processing operating procedures, intellectual property management measures, code of ethical corporate management, code of ethical conduct, reward and punishment operating measures, staff working rules, internal control and internal audit, supplier ethical corporate management policy statement, and called on colleagues to safeguard the honor of the Company, so that colleagues can abide by the law and the rule of law and do nothing illegal.	
III. Operation of the Company's whistleblower system				No significant difference
(I) Does the Company have a specific reporting and reward system, establish a convenient reporting channel, and assign appropriate special personnel to accept the reported object?	V		(I) The Company specified specific reporting and reward system in the "Integrity Business Procedures and Conduct Guide", and set up an internal independent report email: vanessaw@crete.com.tw or dedicated line (02) 26626074*303 as the acceptance specialist.	
(II) Whether the Company has established the standard operating procedures for the investigation of complaints, the follow-up measures to be taken after the investigation and the relevant confidentiality mechanism?	V		(II) Article 21 of the Company's "operation procedure and guidelines of conduct for ethical corporate management" specifies the standard operating procedures for the investigation of complaints, subsequent measures to be taken after the investigation is completed, and relevant confidentiality mechanisms.	
(III) Does the Company take measures to protect the	V		(III) The relevant measures are regulated in Article 21 of the	

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
whistleblower from improper treatment due to reporting?			Company's "operation procedure and guidelines of conduct for ethical corporate management".	
IV. Strengthen information disclosure Does the Company disclose the content and promotion effectiveness of its code of ethical corporate management on its website and MOPS?	V		It has been placed on the Company's website and MOPS.	No significant difference
V. If the Company has its own code of ethical corporate management in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its operation and the code: The Company has established its own Code of Integrity in accordance with the "Code of Conduct of Integrity of Listed Companies". The operation and differences are detailed in the above columns.				
VI. VI. Other important information helpful to understand the Company's ethical corporate management: (such as the Company's review and amendment of its code of ethical corporate management) (I) The Company abides by relevant laws and regulations and internal control system, forbids unethical or violation of laws and regulations, and employs legal counsel to provide consultation. (II) The Company's "rules of procedure for board meetings" prescribes a system for recusal by Directors for conflict of interests. If a Director has an interest in the matters of the meeting with himself or the legal person he represents, he shall explain the important contents of his interest at the current board meeting. If it is harmful to the interests of the Company, he shall not participate in discussion and voting, and shall recuse during discussion and voting, and shall not exercise his voting rights on behalf of other Directors. (III) In order to establish a good internal material information processing and disclosure mechanism, avoid improper disclosure of information, and ensure the consistency and correctness of the information published by the Company to the public, the Company has formulated a "code of ethical conduct". The Directors, managers, employees and other persons who have learned of the Company's internal material information due to their identity, occupation or control shall abide by the relevant provisions of these operating procedures. (IV) The Company abides by the Company Act, the Securities and Exchange Act, and relevant rules and regulations related to TWSE/TPEx-listing companies. As the basic principle of implementing ethical corporate management, the Company's external business dealings are prohibited from engaging in unethical conduct with trading counter-parties. (V) The Company always pays attention to the development of relevant regulations of ethical corporate management at home and abroad, so as to review and improve the relevant regulations of the Company to improve the effectiveness of ethical corporate management of the Company.				

(VII) Formulate corporate governance codes and relevant rules and regulations, and query methods:

The Company's "code of practice on corporate governance" and relevant regulations have been disclosed on the Company's website and MOPS. For query methods, please refer to the Company's website (www.crete.com.tw) or MOPS (mops.twse.com.tw).

(VIII) Other important information sufficient to enhance the understanding of the operation of corporate governance:

1. The "internal material information processing procedures" formulated to manage the Company's internal material information have been informed to all Directors, managers and heads of all units, and the procedures have been placed on the Company's internal network for all colleagues to follow, and all Directors, managers and unit heads have been educated and advocated every year to avoid violations or insider transactions.
2. When taking office, the newly appointed Directors, managers and other internal personnel of the Company will be distributed the latest version of the "laws and regulations related to the equity of insiders of TPEx and emerging companies and precautions to be taken" prepared by the TPEx for internal personnel to follow.
3. The Company will immediately disclose major information and monthly operating results to investors.
4. The work rules of the Company clearly stipulate that employees of the Company shall not seek to benefit themselves or others in the name of the Company or their position. It is also prohibited to use the convenience of his position, engage in malpractice for personal gain, require customers or manufacturers to entertain, accept gifts, commissions and other money transactions or other illegal interests.
5. The Company's general manager, deputy general manager, accounting, finance, and internal audit supervisor participated in further education related to corporate governance:

Title	Name	StudyDate	Organizer	Course name	Hours of education
Finance manager	Ya-Ping Liu	2022.03.02	TWSE, TPEx	2022 corporate governance evaluation and advocacy meeting (online)	2
		2022.03.23	KPMG	KPMG 2021 Q1 study group (online)- 1. Current and future of sustainable disclosure 2. Matters needing attention at the 2022 shareholders' meeting	0.5
		2022.03.24~03.25	Accounting Research and Development Foundation	Continuing education course for stock exchange accounting supervisor of issuing securities firms (video) - ESG Sustainability Trends and Management Strategies for Global Enterprises	3
		2022.06.22	KPMG	KPMG 2021 Second Quarter Study Group (Online) - Corporate Sustainability Path for the 2050 Net Zero Future	0.5

Title	Name	StudyDate	Organizer	Course name	Hours of education
Audit	Yu-Xuan Chen	2022.05.25~2022.06.29	DINGXIN COMPUTER	TPEs Information Security Control Guidelines	7
		2022.06.30	The Golden Pipe Club	Greenhouse Gas Inventory Inspection and Verification	2.5
		2022.07.01~2022.08.05	DINGXIN COMPUTER	A Practical Path to Net Zero Carbon Emission (Enterprise ESG) 1	6
		2022.07.20	TPEx	Sustainability Roadmap Industry Theme Promotion Meeting (Electronics Industry)	2.5
		2022.07.28	Accounting Research and Development Foundation	Seminar on Carbon Emissions Disclosure and Confidence	2
		2022.08.02	Taiwan Foundation for Industry Services	Connect with the international net zero action towards the pulse of sustainable development-Corporate Environmental Sustainability Conference	2.5
		2022.08.31	TPEx	Greenhouse Gas Inventory Inspection and Verification	2.5
Audit agent	Yi-Ping Liao	2022.10.13	Chinese Association for Internal Auditing	Analysis of business performance and risk prevention by financial statements	6

(IX) Implementation status of internal control system:

1. Internal control statement

Mildef Crete Inc.

Statement of internal control system

Date: March 23, 2023

Based on the results of self-evaluation, the Company's internal control system in 2022 is hereby declared as follows:

- I. The Company confirms that it is the responsibility of the Board of Directors and managers of the Company to establish, implement and maintain the internal control system, and the Company has established this system. Its purpose is to provide reasonable assurance for the achievement of the objectives of operation effect and efficiency (including profit, performance and ensuring asset safety), reliability, timeliness and transparency of reporting, and compliance with relevant norms and relevant laws and regulations.
- II. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable guarantee for the achievement of the above three objectives. Moreover, due to the change of environment and situation, the effectiveness of internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once the deficiency is identified, the Company will take corrective action.
- III. The Company judges the effectiveness of the design and implementation of the internal control system in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The judgment items of the internal control system adopted in the "Regulations" are to divide the internal control system into five constituent elements according to the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervise the operation. Each component includes several items. For the above items, please refer to the provisions of the "Regulations".
- IV. The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the evaluation results of the preceding paragraph, the Company believes that the internal control system (including the supervision and management of subsidiaries) in Note 2 of the Company on December 31, 2022, including the understanding of the effect of operation and the degree of achievement of efficiency objectives, the reliability, timeliness, transparency of reports, compliance with relevant norms and relevant laws and regulations, and the design and implementation of relevant internal control systems are effective, and it can reasonably ensure the achievement of the above objectives.
- VI. This statement will be the main content of the Company's annual report and prospectus and will be made public. If the contents disclosed above are false, concealed and there are other illegal matters, it will involve the legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors of the Company on March 23, 2023. Among the seven Directors present, no one held objections, and the remaining agreed with the contents of this statement as stated.

Mildef Crete Inc.

Chairman: signature and seal

General manager: signature and seal

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed:

The Company did not appoint CPAs to review the internal control system in 2022.

(X) For the most recent year and up to the printing date of the annual report, the Company and its internal personnel have been punished according to law, and the Company has punished its internal personnel for violating the provisions of the internal control system, major deficiencies and improvements: none.

(XI) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and up to the printing date of the annual report:

1. Important resolutions of the shareholders' meeting on June 9, 2022

Motion items	Important resolutions	Implementation										
Recognition case 1	<div>The Company's 2021 business report and financial statements</div> <div>Number of voting rights of shareholders present during voting: 37,606,553</div> <table><thead><tr><th>Voting results</th><th>Percentage of voting rights</th></tr></thead><tbody><tr><td>37,535,854 approval votes (including 2,838,122 e-votes)</td><td>99.81%</td></tr><tr><td>31,649 disapproval votes (including 31,649 e-votes)</td><td>0.08%</td></tr><tr><td>0 invalid votes</td><td>0.00%</td></tr><tr><td>39,050 abstention votes/no votes (including 37,050 e-votes)</td><td>0.10%</td></tr></tbody></table> <div>Reached the number of approval votes stated in the laws and regulations; hence, the case is approved as written.</div>	Voting results	Percentage of voting rights	37,535,854 approval votes (including 2,838,122 e-votes)	99.81%	31,649 disapproval votes (including 31,649 e-votes)	0.08%	0 invalid votes	0.00%	39,050 abstention votes/no votes (including 37,050 e-votes)	0.10%	According to the resolution
Voting results	Percentage of voting rights											
37,535,854 approval votes (including 2,838,122 e-votes)	99.81%											
31,649 disapproval votes (including 31,649 e-votes)	0.08%											
0 invalid votes	0.00%											
39,050 abstention votes/no votes (including 37,050 e-votes)	0.10%											
Recognition case 2	<div>2021 earning distribution</div> <div>Number of voting rights of shareholders present during voting: 37,606,553</div> <table><thead><tr><th>Voting results</th><th>Percentage of voting rights</th></tr></thead><tbody><tr><td>37,474,039 approval votes (including 2,776,307 e-votes)</td><td>99.64%</td></tr><tr><td>93,967 disapproval votes (including 93,967 e-votes)</td><td>0.24%</td></tr><tr><td>0 invalid votes</td><td>0.00%</td></tr><tr><td>38,547 abstention votes/no votes (including 36,547 e-votes)</td><td>0.10%</td></tr></tbody></table> <div>Reached the number of approval votes stated in the laws and regulations; hence, the case is approved as written.</div>	Voting results	Percentage of voting rights	37,474,039 approval votes (including 2,776,307 e-votes)	99.64%	93,967 disapproval votes (including 93,967 e-votes)	0.24%	0 invalid votes	0.00%	38,547 abstention votes/no votes (including 36,547 e-votes)	0.10%	According to the content of the resolution. The chairman set July 3, 2022 as the ex-dividend base date, and all distributions were completed on July 22, 2022 (cash dividend of NT\$217,136,524, and distribution of NT\$3.7 per share)
Voting results	Percentage of voting rights											
37,474,039 approval votes (including 2,776,307 e-votes)	99.64%											
93,967 disapproval votes (including 93,967 e-votes)	0.24%											
0 invalid votes	0.00%											
38,547 abstention votes/no votes (including 36,547 e-votes)	0.10%											
Discussion case 1	<div>Amendment to "procedures for acquisition or disposal of assets"</div> <div>Number of voting rights of shareholders present during voting: 37,606,553</div>	It shall be handled according to the										

Motion items	Important resolutions			Implementation
		Voting results	Percentage of voting rights	amendment
		37,535,537 approval votes (including 2,837,805 e-votes)	99.81%	
		31,816 disapproval votes (including 31,816 e-votes)	0.08%	
		0 invalid votes	0.00%	
		39,200 abstention votes/no votes (including 37,200 e-votes)	0.10%	
	Reached the number of approval votes stated in the laws and regulations; hence, the case is approved as written.			

2. Important resolutions of the Board of Directors

Date	Important resolutions	Implementation
The 11th session of the 13th term 2022.03.17	Performance evaluation of Directors and managers in 2021	This case is passed without objection
	Setting the “Measures for Performance Evaluation of Directors and Managers”	This case is passed without objection
	Amendments to the “Directors' and Manager's Remuneration Measures”	This case is passed without objection
	Remuneration distribution of Directors and employees in 2021	No objection to this case was passed, but must be reported to the 2022 annual shareholders' meeting
	2021 annual business report and financial statement audit report	No objection to this case passed, but it must be resolved by 2021 annual shareholders' meeting
	2021 earning distribution	There is no objection in this case. The allotment of NT\$3.7 per share is approved as per the proposal, but it must be resolved by the 2022 annual shareholders' meeting
	2022 annual budget and operation plan	The case was passed without objection and the budget implementation was discussed at the end of each quarter
	2021 "effectiveness assessment of internal control system" and "statement of internal control system"	The case was passed without objection, and the statement of internal control system was uploaded to the MOPS on March 22, 2022
	2021 “Fulfilling the Integrity of Business Situation” case	This case is passed without objection
	Amendment to the “Electronic Operations Cycle” case	This case is passed without objection
	Amendment to the "Procedures for Acquisition or Disposal of Assets"	There is no objection in this case. The allotment of NT\$3.7 per share is approved as per the proposal, but it must be resolved by the 2022 annual shareholders' meeting
	Proposal on matters related to the convening of the 2022	The case was passed without objection, and the 2022 shareholders' meeting was held on

Date	Important resolutions	Implementation
	shareholders' meeting	June 9, 2022
	2022 Salary Adjustment Plan	This case is passed without objection
	Manager's salary adjustment evaluation in 2022	Except that Director Yi-Tong Shen recused from voting because he was also the general manager, the other Directors present had no objection and passed the resolution
The 12th session of the 13th term 2022.04.27	First Quarter 2022 Financial Statements Report	This case is passed without objection
	Report on the achievement of the budget for the first quarter of 2022	This case is passed without objection
	Amendment to the “Personal Information Protection and Management Measures”	This case is passed without objection
	Planning for Greenhouse Gas Inventory and Verification	No objection in this case passed. Since June 2023, introduce the full-time unit: Ministry of Industrial Safety, 1 full-time staff: He Bolin, set the inspection planning time: December 2027 and set verification planning time: December 2029
The 13th session of the 13th term 2022.06.30	Partial disposal of “MilDef Group AB”	This case is passed without objection
The 14th session of the 13th term 2022.08.03	Report on the second quarter of 2022 financial statements	This case is passed without objection
	Report on the achievement of the budget for the second quarter of 2022	This case is passed without objection
	Amendments to the “Directors' and Manager's Remuneration Measures”	This case is passed without objection
	2021 Directors' remuneration distribution plan	This case is passed without objection
	Remuneration distribution plan for managers in 2021	Except that Director Yi-Tong Shen of the Company recused from voting because he was also the general manager, the other Directors present had no objection and passed the resolution of the Remuneration Committee as proposed, which was paid on August 8, 2022
The 15th session of the 13th term 2022.11.02	Third quarter of 2022 financial statements reports	This case is passed without objection
	Achieved Budget for the third quarter of 2022 Situation Report	This case is passed without objection
	Amendment to the "rules of procedure of the Board of Directors" Case	This case is passed without objection

Date	Important resolutions	Implementation
The 16th session of the 13th term 2022.12.21	Approval of annual audit plan in 2023 Case	This case is passed without objection
	Director and Manager Salary in 2022 Remuneration Review	This case is passed without objection
	Change of CPA Case	No objection to the case:since the first quarter of 2023, the original CPA Shi Weiming, changed to Kao Liangwen
	2023 Annual CPA Independence Assessment Result Case	This case is passed without objection
	Define “Prevention of insider trading management Operating Procedures	This case is passed without objection
	Prescribe Pre-Approved Non-Confidence General Principles of Administrative Policy” Case	This case will not be discussed because the Audit Committee has not been passed
	Revision of “Internal Significance Information Handling Operating Procedures	This case is passed without objection
	Amendments to the Sales and Receipts Cycle create)” related internal control content	This case is passed without objection
	Amendments to the “Procurement and Payment Circulation create)” related internal control content	This case is passed without objection

(XII) For the most recent year and up to the date of printing of the annual report, if the Directors or supervisors have different opinions on the important resolutions adopted by the Board of Directors and have records or written statements, the main contents: none.

(XIII) Summary of the resignation and dismissal of the chairman, general manager, accounting supervisor, financial supervisor, internal audit officer, corporate governance officer and R&D officer of the Company in the most recent year and up to the printing date of the annual report:

1. Resignation and dismissal of relevant personnel of the Company: none.
2. On May 3, 2023, the 18th session of the 13th Board of Directors passed the setting up of the head of corporate governance, appointed by Liu Yaping, Finance Manager.
3. The Company's personnel related to financial information transparency have obtained relevant certificates and licenses specified by the competent authority:

- (1) The accounting supervisor of the Company has obtained the professional certification of the accounting supervisor of public companies organized by the Accounting Research and Development Foundation and is qualified for continuous learning.
- (2) Two auditors of the Company have obtained the qualified test certificate issued by the Securities and Futures Institute and passed continuous education.

IV. CPA fee

Unit: NT\$1,000

Name of CPA firm	Name of CPA	CPA audit period	Audit fees	Non-audit fees	Total	Remark
KPMG	Wei-Ming Shi	2022	1,959	429	2,388	Non audit-fees are- 1. Tax compliance audit NT\$396 2. Review the salary information of the Company's full-time employees who did not hold the position of supervisor in 2021 as NT\$33,000
	Mei-Yan Chen	2022				

- (I) Non-audited public fees paid to CPAants, CPAants and related enterprises of non-audited public fees of more than a quarter of the audit public fees should disclose the amount of audited and non-audited public fees and non-audit services: none.
- (II) If the accounting firm is changed and the audit fee paid in the year of change is lower than that in the year before the change, the amount, proportion and reasons for the reduction of audit fee shall be disclosed: none.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: none.

V. Change of CPAs: none.

VI. The chairman, general manager or manager in charge of financial or accounting affairs of the Company has worked in the firm to which the CPAs belong is affiliated or its affiliated enterprise within the most recent year: none.

VII. Changes in equity transfer and equity pledge of Directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and up to the printing date of the annual report:

(I) Changes in equity of Directors, supervisors, managers and major shareholders

Unit: shares

Title	Name	2022		Year ended March 31, 2023	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Chairman / General Manager	Yi-Tong Shen	0	0	0	0
Director	Nankang Rubber Tire	0	0	0	0
	Representative: Jun-Ying Lin	0	0	0	0
Director	Ming- Xiao Lu	0	0	0	0
Independent Director	Yong-Cheng Chun	0	0	0	0
Independent Director	Jun- Ming Wang	0	0	0	0
Independent Director	Xiao- Long Feng	0	0	0	0
Director	Wen- Chun Cai	0	0	0	0
General manager of Channel Business Department	Jia-Xing Hu	0	0	0	0
Executive deputy general manager	Yong-Xiang Zhou	0	0	0	0
Deputy general manager of R&D Division of System Manufacturing Business Department	Wei Liang	0	0	0	0
AVP of Planning Department of Channel Business Department	Xiao-Ming Lin	0	0	0	0
AVP of north district business of Channel Business Department	Shi-Zhe Lin	0	0	0	0
AVP of south district business of Channel Business Department	Xin-Xiong Huang	0	0	0	0
AVP of Manufacturing Division of System Manufacturing Business Department	Quan-Xiong Li	0	0	0	0
Business Division of System Manufacturing Business Division	Sheng-Xian Wang	0	0	0	0
Financial manager of System Manufacturing Business Department	Ya-Ping Liu	0	0	0	0

(II) Equity transfer information:

The Directors, supervisors, managers and shareholders holding more than 10% of the Company's shares transferred their shares in the market, and the counterparties of equity transfer are not related parties.

(III) Equity pledge: None

VIII. Among top 10 shareholders, information on anyone who is a related party or spouse, a relative within the second degree of kinship

April 17, 2023; Unit: shares; %

Name	Self Shares held		Shares held by spouse and minor children		Total shares held in the name of others		AMONG TEN LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANY ONE WHO IS A RELATED PARTY OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Yi-Tong Shen	3,126,244	5.33	0	0	0	0	Fang Shen / An Shen / Yi-Guang Shen	Relatives within the second degree of kinship	None
Nankang Rubber Tire	2,150,829	3.67	N/A	N/A	N/A	N/A	None	None	None
Responsible person: Lin-Liang Guo	0	0	0	0	0	0	None	None	None
Fang Shen	1,897,543	3.23	0	0	0	0	Yi-Tong Shen/ An Shen	Relatives within the second degree of kinship	None
Special investment account of Rhoda Computer under custody by Taishin Bank	1,424,071	2.43	N/A	N/A	N/A	N/A	None	None	None
An Shen	1,186,147	2.02	0	0	0	0	Yi-Tong Shen/ Fang Shen	Relatives within the second degree of kinship	None
Ming- Xiao Lu	945,563	1.61	0	0	0	0	None	None	None
Hui-Nan Lin	751,601	1.28	0	0	0	0	None	None	None
Shenyu Investment Co., Ltd	700,000	1.19	N/A	N/A	N/A	N/A	None	None	None
Responsible person: Mei-He Liu	0	0	0	0	0	0	None	None	None
Guo-Xiang Tang	526,780	0.90	0	0	0	0	None	None	None
Yi-Guang Shen	463,000	0.79	0	0	0	0	Yi-Tong Shen	Relatives within the second degree of kinship	None

Note: the calculation of shareholding ratio refers to the total number of shares held in one's own name, spouse, minor children or in the name of others.

- IX. The number of shares held by the Company, its Directors, supervisors, managers and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise shall be combined to calculate the comprehensive shareholding ratio

April 30, 2023 unit: share;%

Reinvestment business	Investment of the Company		Investment of Directors, supervisors, managers and enterprises directly or indirectly controlled		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
SHUNZHI PRECISION CO., LTD. Ltd.	2,136,000	57.73%	809,000	21.86	2,945,000	79.60%

Note: It is a long-term investment of the Company using equity law.

Chapter 4. Fund raising

I. Capital and share

(I) Source of capital

◆ Source of capital

Year Month	Issue price	Approved share capital		Paid in share capital		Remark		
		Number of shares (thousands)	Amount (NT\$1,000)	Number of shares (thousands)	Amount (NT\$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
1990.3	NT\$10	6,400	64,000	1,600	16,000	Establishment of share capital	None	Note 1
1990.6	NT\$10	6,400	64,000	2,600	26,000	Cash capital increase NT\$10,000 thousand	None	Note 2
1990.11	NT\$10	6,400	64,000	3,000	30,000	Cash capital increase NT\$4,000 thousand	None	Note 3
1991.3	NT\$10	6,400	64,000	4,494.2	44,942	Cash capital increase NT\$14,942 thousand	None	Note 4
1991.12	NT\$10	6,960	69,600	6,960	69,600	Cash capital increase NT\$24,658 thousand	None	Note 5
1993.11	NT\$10	7,160	71,600	7,160	71,600	Cash capital increase NT\$2,000 thousand	None	Note 6
1997.3	NT\$10	19,800	198,000	19,800	198,000	Cash capital increase of NT\$126,400 thousand	None	Note 7
2000.9	NT\$10	19,800	198,000	11,800	118,000	Capital reduction NT\$80,000 thousand	None	Note 8
2000.9	NT\$10	19,800	198,000	16,800	168,000	Cash capital increase NT\$50,000 thousand	None	Note 9
2002.5	NT\$10	19,800	198,000	18,800	188,000	Cash capital increase NT\$20,000 thousand	None	Note 10
2002.7	NT\$10	22,600	226,000	18,800	188,000	-	None	Note 11

Year Month	Issue price	Approved share capital		Paid in share capital		Remark		
		Number of shares (thousands)	Amount (NT\$1,000)	Number of shares (thousands)	Amount (NT\$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
2003.12	NT\$10	28,000	280,000	21,620	216,200	Capitalization of retained earnings NT\$28,200 thousand	None	Note 12
2004.8	NT\$10	39,000	390,000	25,281	252,810	Capitalization of retained earnings NT\$36,610 thousand	None	Note 13
2005.4	NT\$10	39,000	390,000	25,684.55	256,845.5	Conversion of warrants NT\$4,035.5 thousand	None	Note 14
2005.7	NT\$10	39,000	390,000	25,787.45	257,874.5	Conversion of warrants NT\$1,029 thousand	None	Note 15
2005.8	NT\$10	39,000	390,000	28,776.195	287,761.95	Capitalization of retained earnings NT\$29,887.45 thousand	None	Note 16
2006.5	NT\$10	39,000	390,000	29,450.495	294,504.95	Conversion of warrants NT\$6,743 thousand	None	Note 17
2006.7	NT\$10	39,000	390,000	29,693.795	296,937.95	Conversion of warrants NT\$2,433 thousand	None	Note 18
2006.9	NT\$10	39,000	390,000	33,085.845	330,858.45	Capitalization of retained earnings NT\$33,920.5 thousand	None	Note 19
2006.10	NT\$10	39,000	390,000	33,212.545	332,125.45	Conversion of warrants NT\$1,267 thousand	None	Note 20
2007.4	NT\$10	39,000	390,000	33,815.045	338,150.45	Conversion of warrants NT\$6,025 thousand	None	Note 21
2007.7	NT\$10	39,000	390,000	33,873.595	338,735.95	Conversion of warrants NT\$585.5 thousand	None	Note 22
2007.9	NT\$10	50,000	500,000	37,703.455	377,034.55	Capitalization of retained earnings NT\$38,298.6 thousand	None	Note 23

Year Month	Issue price	Approved share capital		Paid in share capital		Remark		
		Number of shares (thousands)	Amount (NT\$1,000)	Number of shares (thousands)	Amount (NT\$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
2008.4	NT\$10	50,000	500,000	37,916.605	379,166.05	Conversion of warrants NT\$2,131.5 thousand	None	Note 24
2008.9	NT\$10	50,000	500,000	42,229.666	422,296.66	Capitalization of retained earnings NT\$43,130.61 thousand	None	Note 25
2009.4	NT\$10	50,000	500,000	42,482.066	424,820.66	Conversion of warrants NT\$2,524 thousand	None	Note 26
2009.8	NT\$10	50,000	500,000	44,870.821	448,708.21	Capitalization of retained earnings NT\$23,887.55 thousand	None	Note 27
2010.8	NT\$10	60,000	600,000	47,870.275	478,702.75	Capitalization of retained earnings NT\$29,994.54 thousand	None	Note 28
2011.8	NT\$10	70,000	700,000	55,401.446	554,014.46	Capitalization of retained earnings NT\$75,311.71 thousand	None	Note 29
2012.8	NT\$10	70,000	700,000	58,685.547	586,855.47	Capitalization of retained earnings NT\$32,841.01 thousand	None	Note 30

Note 1. Approval No.: Jian-Yi-Zi No. 092317, March 15, 1990

Note 2. Approval No.: Jian-Yi-Zi No. 130584, June 27, 1990

Note 3. Approval No.: Ri-Jing-(79)-Shang-Zi No.124994, December 11, 1990

Note 4. Approval No.: Ri-Jing-(80)-Shang-Zi No. 108817, May 27, 1991

Note 5. Approval No.: Ri-Jing-(81)-Shang-Zi No. 109553, June 13, 1992

Note 6. Approval No.: Ri-Jing-(83)-Shang-Zi No. 105205, March 25, 1994

Note 7. Approval No.: Ri-Jing-(86)-Shang-Zi No. 107196, May 10, 1997

Note 8. Approval No.: Ri-Jing-(89)-Shang-Zi No. 089137188, October 16, 2000

Note 9. Approval No.: Ri-Jing-(89)-Shang-Zi No. 089137188, October 16, 2000

Note 10. Approval No.: Jing-Shou-Shang-Zi No. 09101204500, June 18, 2002

Note 11. Approval No.: Jing-Shou-Shang-Zi No. 09101261430, July 12, 2002

Note 12. Approval No.: Jing-Shou-Zhong-Zi No. 09233067450, December 8, 2003

Note 13. Approval No.: Jing-Shou-Zhong-Zi No. 09332587880, August 19, 2004

Note 14. Approval No.: Jing-Shou-Zhong-Zi No. 09431987560, April 21, 2005

Note 15. Approval No.: Jing-Shou-Zhong-Zi No. 09432548080, 09432548080, 2005

Note 16. Approval No.: Jing-Shou-Zhong-Zi No. 09432733200, August 26, 2005
 Note 17. Approval No.: Jing-Shou-Zhong-Zi No. 09532107700, May 1, 2006
 Note 18. Approval No.: Jing-Shou-Zhong-Zi No. 09532526800, July 20, 2006
 Note 19. Approval No.: Jing-Shou-Zhong-Zi No. 09532851510, September 21, 2006
 Note 20. Approval No.: Jing-Shou-Zhong-Zi No. 09533061620, October 30, 2006
 Note 21. Approval No.: Jing-Shou-Zhong-Zi No. 09631992560, April 18, 2007
 Note 22. Approval No.: Jing-Shou-Zhong-Zi No. 09632503720, July 26, 2007
 Note 23. Approval No.: Jing-Shou-Zhong-Zi No. 09632693940, September 3, 2007
 Note 24. Approval No.: Jing-Shou-Zhong-Zi No. 09732109430 April 21, 2008
 Note 25. Approval No.: Jing-Shou-Zhong-Zi No. 09732960280, September 1, 2008
 Note 26. Approval No.: Jing-Shou-Zhong-Zi No. 09832110760, April 20, 2009
 Note 27. Approval No.: Jing-Shou-Zhong-Zi No. 09832884100, August 19, 2009
 Note 28. Approval No.: Bei-Fu-Jing-Deng-Zi No. 0993150767, August 27, 2010
 Note 29. Approval No.: Jing-Shou-Shang-Zi No. 10001198400, August 25, 2011
 Note 30. Approval No.: Jing-Shou-Shang-Zi No. 10101165430, August 14, 2012

◆ Type of shares

Unit: share

Type of shares	Approved share capital			Remark
	Outstanding shares of TPEX-listed company stocks	Un-issued shares	Total	
Nomename type Common stock	58,685,547	11,314,453	70,000,000	The total share capital contains 4,800,000 shares for the purpose of issuing employee stock option certificates

◆ Information about the general reporting system: N/A

(II) Shareholder structure

April 17, 2023

Shareholder structure Quantity	Government agency	Financial institutions	Other legal entities	Foreign institutions and foreigners	Individual	Total
Number of people	0	0	172	65	31,934	32,171
Number of shares held	0	0	3,316,313	3,398,986	51,970,248	58,685,547
Shareholding ratio	0	0	5.65	5.79	88.56	100.00

(III) Equity dispersion

April 17, 2023

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	23,773	464,765	0.79
1,000 to 5,000	6,725	13,819,012	23.55
5,001 to 10,000	927	7,162,477	12.21
10,001 to 15,000	275	3,416,342	5.82
15,001 to 20,000	139	2,504,404	4.27
20,001 to 30,000	123	3,047,603	5.19
30,001 to 40,000	55	1,898,940	3.24
40,001 to 50,000	45	2,042,806	3.48
50,001 to 100,000	66	4,540,924	7.74
100,001 to 200,000	23	3,575,548	6.09
200,001 to 400,000	8	2,208,740	3.76
400,001 to 600,000	4	1,821,988	3.11
600,001 to 800,000	2	1,451,601	2.47
800,001 to 1,000,000	1	945,563	1.61
1,000,001 or more	5	9,784,834	16.67
Total	32,171	58,685,547	100.00

(IV) List of major shareholders (shareholders with a shareholding ratio of more than 5% or shareholders with a shareholding ratio of the top ten)

April 17, 2023

Main shareholder name	Shares	Number of shares held	Shareholding ratio
Yi-Tong Shen		3,126,244	5.33
Nankang Rubber Tire		2,150,829	3.67
Fang Shen		1,897,543	3.23
Special investment account of Rhoda Computer under custody by Taishin Bank		1,424,071	2.43
An Shen		1,186,147	2.02
Ming- Xiao Lu		945,563	1.61
Hui-Nan Lin		751,601	1.28
Shenyu Investment Co., Ltd		700,000	1.19
Guo-Xiang Tang		526,780	0.90
Yi-Guang Shen		463,000	0.79

(V) Price, net worth, earnings, dividends per share and related information for the last two years

Unit: NT\$; thousand shares

Unit: NT\$, thousand shares

Item \ Year		2022	2021	As of April 28 of current year	
Price per share	Highest	63.00	66.00	54.00	
	Lowest	38.50	48.65	43.70	
	Average	52.86	59.47	49.83	
Net worth per share (Note 2)	Before distribution	41.12	36.23	40.06	
	After distribution	37.52	32.53	36.46	
EPS	Weighted average number of shares	58,685	58,685	58,685	
	EPS	3.89	10.87	0.78 (Note 1)	
Dividend per share	Cash dividend		3.6	3.7	0
	Free	Stock dividend from retained earnings	0	0	0
	allotment	Stock dividend from capital reserve	0	0	0
	Accumulated unpaid dividends		0	0	0
Return on investment analysis	P/E ratio (Note 3)		13.59	5.47	0
	Price-to-dividend ratio (Note 4)		14.68	16.07	0
	Cash dividend yield (%) (Note 5)		6.81	6.22	0

Note 1. In the statement approved by the accountant as at March 31, 2023

Note 2. The number of shares issued at the end of the year shall prevail and shall be filled in according to the resolution of the Board of Directors or the shareholders' meeting of the following year.

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

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

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

(VI) Company dividend policy and implementation status

1. Dividend policy stipulated in the articles of association of the Company

The dividend distribution policy of the Company is based on the Company's capital budget, medium and long-term operation plan, and financial situation, and is distributed after the resolution of the shareholders' meeting under the following principles:

- I. Except under the provisions of paragraphs II below, the Company shall not distribute dividends when there is no earnings. However, the excess part may be distributed as a bonus when the statutory earnings reserve has exceeded 50% of the total capital. The distribution of earnings can be made in the form of stock dividends or cash dividends, and the distribution ratio shall take into account the following factors:

1. Maintain the balance of earnings per share and profit level of the Company
2. To meet the needs of the Company to expand its operation scale in the future
3. Consider the Company's cash flow and operating earnings

Cash Dividends account for 20% ~ 100% of the total dividends, and Stock Dividends account for 0% ~ 80% of the total dividends.

The distribution of earnings referred to in the preceding paragraph shall be decided by the Board of Directors and distributed by resolution of the shareholders' meeting.

- II. The Company has no earnings to distribute in the current year, or although there are earnings, the earnings are much lower than the earnings distributed by the Company in the previous year, or according to consideration of corporate finance, business, and management, the Company may distribute all or part of the

2. Dividend Distribution proposed at the shareholders' meeting

The 2022 earnings distribution plan was formulated by the Board of Directors on March 23, 2023. It is proposed to distribute a cash dividend of NT\$3.6 per share, totaling NT\$211,267,969, with an estimated distribution ratio of 92.54%. After the resolution of the shareholders' meeting on June 14, 2023 is passed, the chairman is authorized to set another dividend base date and distribution date.

3. Whether there will be a material change in the expected dividend policy: No material change in the expected dividend policy

(VII) The impact of the dividend distribution at the shareholders' meeting on the Company's operating performance and earnings per share

There is no proposed dividend distribution at the Company's 2022 shareholders' meeting, so the impact of this dividend distribution on the Company's operating performance, earnings per share and return on shareholders' equity is not applicable.

(VIII) Remuneration of employees, Directors and supervisors

1. The percentages or ranges with respect to employee, Director, and supervisor compensation, as set forth in the Company's Articles of Incorporation:

According to Article 20 of the Company's articles of association, if there is profit in the year, 5% to 10% should be allocated as employee remuneration and no more than 3% as Director remuneration. However, when the Company still has accumulated losses, it should reserve the amount in advance to make up for it. The aforementioned employees are paid in stock or cash, including employees of subordinate companies who meet certain criteria.

2. The basis for the estimation of the amount of remuneration of employees, Directors and supervisors, the basis for the calculation of the number of shares of employee remuneration distributed by shares, and the accounting treatment of the actual distribution amount if there is any difference from the estimation:
 - (1) Basis of current estimation: the Company takes the pre-tax net profit before deducting the remuneration of employees and Directors multiplied by the distribution percentage of remuneration of employees and Directors as stipulated in the articles of association.
 - (2) If the employee's remuneration is paid in shares, the number of shares allotted shall be calculated based on the closing price of common shares on the day before the Board of Directors. However, there was no allotment of shares in the remuneration of employees and Directors of the Company in the current period.
 - (3) If there is a difference between the actual distribution amount and the estimated amount, it shall be treated according to the change of accounting estimation, and the difference shall be recognized as the profit and loss of the current period.
3. The Board of Directors approved the distribution of remuneration
 - (1) The amount of any employee compensation distributed in cash or stocks and compensation for Directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The distribution of employee remuneration and Director remuneration of the Company in 2022 was decided by the Board of Directors on March 23, 2023 as follows:
 - 1) A total of NT\$31,608 thousand in cash remuneration was allocated to employees
 - 2) A cash remuneration of NT\$6,335 thousand was allotted to Directors.
 - 3) There is no difference between the amount of employees' cash remuneration and Directors' remuneration resolved by the Board of Directors and the annual estimated amount of recognized expenses.
 - (2) The amount of employee remuneration distributed by shares and its share in the net profit after tax and employee remuneration of parent only or individual financial reports in the current period

The Board of Directors passed a resolution this year that there was no allotment of employee stock compensation, thereby this is not applicable.
4. The actual distribution of employee, Director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, Director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The Company's employee dividends and Directors' remuneration in 2021 are as follows:

Item	Resolution of the Board of Directors	Actual distribution (Note)		
	Amount (NT\$)	Amount (NT\$)	Number of shares upon conversion	Dilution ratio of equity (%)
Employee remuneration - cash	42,241,528	42,241,528	0	0
Directors' remuneration	7,312,233	7,312,233	0	0
Total	49,553,761	49,553,761	0	0

Note: there is no difference between the actually allocated remuneration of employees and Directors and the annual estimated amount of the recognized expenses.

(IX) the Company bought back its shares: none.

II. Handling of corporate bonds: none.

III. Handling of preferred shares: none.

IV. Handling of overseas depository receipts: none.

V. Handling of employee stock option certificates

The Employee Stock Certificate issued by the Company was expired and executed in December 2010. No employee stock warrants were issued for the year 2021 and as of the publication date of this year's report.

(I) The Company has not expired employee stock option certificates, as of the date of publication of the annual report and the impact on shareholders' rights: None.

(II) Accumulated to the date of printing of the annual report, the names, acquisition and subscription of managers who have obtained employee stock option certificates and the top 10 employees who have obtained stock option certificates and can subscribe for more than NT\$30 million: none.

VI. Handling of new shares with restricted employee rights:

In 2022 and up to the printing date of this year's annual report, the Company did not issue new shares restricting employees' rights.

VII. Merger or acquisition of shares of other companies and issuance of new shares:

In 2022 and up to the printing date of this year's annual report, the Company has not merged or acquired shares of other companies to issue new shares.

VIII. Implementation of capital utilization plan: the Company has not issued or privately placed securities in the recent year, so there is no relevant information.

(I) Plan content: none.

(II) Implementation status: none.

Chapter 5. Operation overview

I. Business content

(I) Scope of business

◆ Main contents of business:

The business of the Company is as follows in accordance with Article 2 of the articles of association:

1. CC01110 Computer and its peripheral equipment manufacturing industry.
2. CC01120 Data storage media manufacturing and reproduction industry.
3. CC01080 Electronic component manufacturing.
4. F113050 Wholesale of computers and clerical machinery equipment
5. F213030 Retail of computers and clerical machinery equipment.
6. E605010 Computer equipment installation industry.
7. F118010 Information software wholesale industry.
8. F218010 Information software retail industry.
9. I301010 Information software service industry.
10. J399010 Software publishing industry.
11. F119010 Wholesale of electronic materials.
12. F219010 Retail of electronic materials.
13. E701010 Communication engineering industry.
14. I501010 Product design industry.
15. F401010 International trade.

ZZ99999 In addition to the permitted business, it may operate businesses not prohibited or restricted by laws and regulations.

◆ Operating proportion:

Unit: NT\$1,000

Revenue and proportion Item	Year 2022	
	Operating revenue	Operating proportion (%)
Commercial notebook computer	1,790,672	66.12
Rugged notebook computer	846,588	31.26
Maintenance services and others - Commercial	71,106	2.62
Total	2,708,366	100.00

Note: the revenue of rugged notebook computers includes rugged maintenance services and others

◆ Current product (service) items of the Company

- ◎ Sales of commercial notebook computers and their peripheral products
- ◎ Rugged notebook computer manufacturing and sales

- ◎ Manufacturing and sales of rugged vehicle mounted (including flat) computers
- ◎ Rugged keyboard manufacturing and sales
- ◎ Rugged tablet computer manufacturing and sales
- ◎ Docking station
- ◎ Battery charging base
- ◎ Vehicle power supply
- ◎ LCD series
- ◎ Rugged handheld computer manufacturing and sales

◆ New products (services) planned to be developed

- ◎ Rugged laptop.
- ◎ Rugged tablet.
- ◎ Rugged handheld computer

(II) Industry Overview

◆ Current situation and development of industry

◎ Rugged notebook computer

Rugged computer (including three specifications of notebook computer, tablet and handheld) refers to solid and durable computer equipment. This market is a highly customized, small and diverse niche market, emphasizing reliability and durability. As the digital trend of various industries brings diversified vertical application fields and use scenarios, rugged computer business opportunities are growing.

It is characterized by ruggedness, high reliability and mobility

As the name suggests, the rugged computer refers to a fairly "solid and durable" computer. It can still operate normally without downtime when used in extreme high temperature, humidity, rainy days or dusty and other harsh environments. It also has a long product life cycle and can withstand strong external impact, vibration or falling from high places. Therefore, the rugged computer is made of magnesium alloy shell and fully sealed design, making it have the advantages of "dustproof, waterproof, fall resistant and high and low temperature resistant", provide users with "high reliability" equipment, and then reduce the total cost of ownership (TCO).

Since most of the usage scenes of the rugged computers are located outdoors rather than indoor fixed points, in order to meet the mobility needs and portability of users, the rugged computers are developed into three types: notebook, tablet and handheld. Some notebook computers are designed as "two in one notebook computers", and the keyboard can be used in the notebook mode, the display panel can also be rotated left and right to adapt to different viewing angles, and the keyboard can also be removed to use the touch screen as a tablet.

It is worth mentioning that with the maturity of network and cloud technology, data can be processed directly in the cloud through the network. As users are familiar with the use of mobile phones and other devices, the threshold of users is reduced.

Industries such as retail, manufacturing, transportation and logistics are more willing to adopt rugged handheld computers and tablets. It is expected that the adoption rate of rugged tablets and handheld computers is expected to increase.

In addition, the design focus of the rugged computer also includes "sunlight readable display technology" and battery hot plugging technology. In the case of "sunlight readable display technology", by reducing the reflected light and increasing the brightness of the display screen, users can operate the computer in the hot sun without losing sight of the picture. In order to cope with long-term outdoor use, the rugged computer battery also has long-term use performance, dual battery design and "battery hot plugging technology". This technology refers to that when the computer is still running, the battery can be replaced without turning off the power supply, and there is no need to worry about work interruption due to power failure.

◎ Distribution of computer and its peripheral products

After the PC market's worst recession in 30 years after the worst recession in the PC market last year, the latest estimates that global PC shipments will fall below the four-year average and below 250 million units in 2023, which is by far the most pessimistic forecast.

According to IDC's latest estimated global PC shipments, after a decline of nearly 30% in the first quarter of this year from the same period last year, the decline of 17% and 7% in the second and third quarters is still estimated to return to annual growth until the fourth quarter.

After the rapid growth of the PC market due to the pandemic in 2020 and 2021, the overall PC industry began to enter a three-year downward cycle since last year. The first reversal was that since the second half of 2021, the delivery of all the way down Chromebooks, continued consumer and home PC products began to slow down, and after the Russian-Russian war opened last year, demand from Europe, America, China and other markets began to slip rapidly, and even commercial PC products began to become weak.

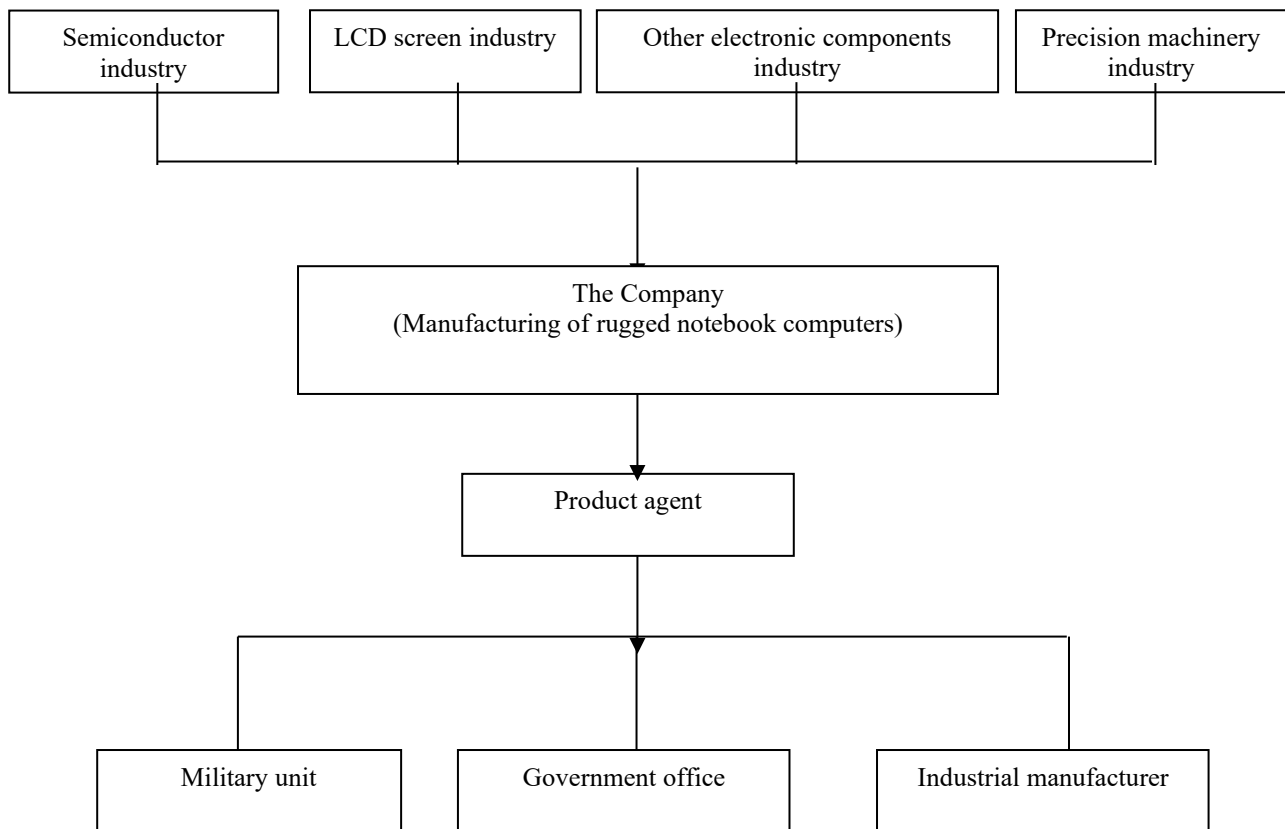
Therefore, the research gives the most pessimistic estimate. The total PC shipments for the next 2023 year will fall to 249 million units, not only from the recession during the first three years, but even worse than the first four years of the epidemic, that is, from 255-262 million units in 2016 to 2019.

However, Microsoft said a few days ago that the situation has seen better than expected PC demand, especially for Windows 10 operating system update release will be terminated, research and industry expect this year's global PC to fall to the end of recent years, after that, 60% to 70% of PC devices will be replaced by the market. Bring efficiency of change tide, but also for PC brand factory and ODM factory operations.

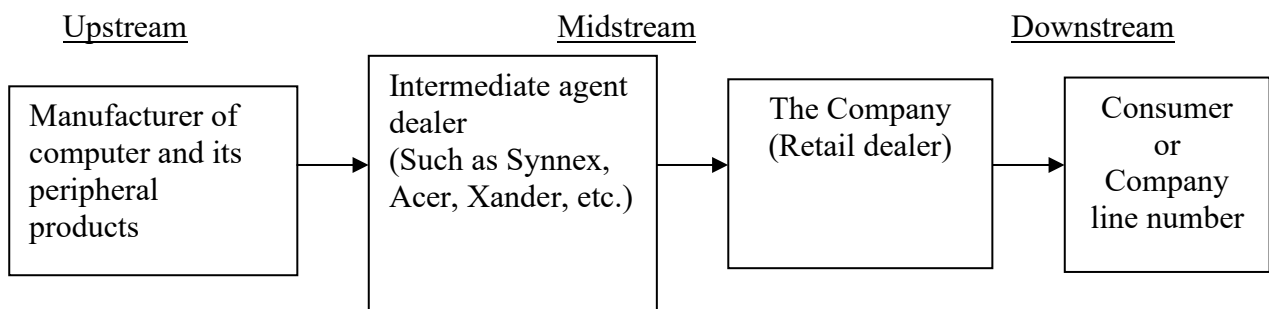
◆ Relevance of upstream, middle and downstream industries

◎ Rugged notebook computer

The Company takes the production and marketing of rugged notebook computers as one of its main businesses and belongs to the midstream industry. The upstream industries of the rugged notebook computer industry are semiconductor industry, electronic components industry and precision machinery industry; Its downstream are government units, military units and information service providers. The related diagrams are as follows:



◎ Distribution of computer and its peripheral products



◆ Product development trend

◎ Rugged notebook computer

Rugged computers are widely used in the market. From the fields of military defense, transportation, industrial manufacturing, automobile industry, public utilities, natural resources and public security, we can see the characteristics and development trend of rugged computer from the vertical application fields and application scenarios.

Rugged computer vertical applications and content

Field	Application scenario content
Military defense	Real time data collection and analysis, action plan command and control, military and logistics maintenance, strategic communication and military emergency care. For example, the air force relies on tactical weather monitoring and reporting, and can collect and analyze weather data in real time through rugged computers.
Transportation	Railway management, airport management, port management, long-distance logistics fleet management and warehouse management are related to transportation and logistics. In terms of long-distance logistics fleet management, the computer equipped on each truck can be used to track goods, sign in electronically and provide the best route; For managers, they can master the working hours of drivers, avoid fatigue driving, master the delivery progress and schedule work tasks.
Industrial Manufacturing & Automotive	To meet the needs of industrial automation and digitization, we can master the production efficiency and yield of the production line, automatic equipment management and predictive maintenance, and back-end plant inventory management through rugged computers. The automotive industry, like industrial manufacturing, uses rugged computer devices to manage automotive manufacturing, repair shop diagnosis and maintenance, and even on-board infotainment systems.
Energy and utilities	In terms of public utilities, such as electricity, water, gas, etc., pipeline detection, preventive maintenance, data digitization and real-time monitoring, such as smart meters.
Public safety	For police and fire-fighting, including on-board systems and mobile devices of police cars, fire engines and ambulances, it can provide functions such as instant messaging, digital evidence collection and real-time recording, accident management and so on to assist in the execution of emergency tasks. In order to perform disaster relief tasks, rugged computers can provide key information such as floor plans and building codes to avoid danger. In addition, the computer equipped with relevant software can provide the best rescue path and work task allocation, and can access patient data in real time during the process of sending patients to the hospital for more accurate and immediate treatment.

Source: manufacturers; compiled by Topology Research Institute, 2020 / 10

Looking at the application and content of the rugged computer market, it can be seen that the rugged computer is mostly used in harsh environments, which can withstand users to travel back and forth in different places and use in various scenarios. While a typical consumer tablet or notebook can meet some applications, rugged PC failure rates are about 60% lower than consumer products, with high reliability and durability, reducing Total Cost of Ownership (TCO).

In addition, many workplaces are potentially explosive environments full of flammable gas and dust. In order to avoid spark ignition and explosion caused by electronic products, rugged computers are designed with special explosion-proof structure to ensure that there will be no explosion. Rugged computers are also used in national defense and military affairs. They have anti-electromagnetic interference design to prevent computers from being detected by the enemy and damage caused by voltage surges.

In addition, rugged computers are mainly used for testing, management and predictive maintenance equipment, work management and task allocation, covering the workflow of various industries. At the same time, with the help of cloud, computer computing and related application software, they can improve the overall work efficiency and service quality.

Overall, the development trends of various industries drive the demand for rugged computers, especially the digital transformation of each industry will increase the purchasing power of the equipment, energy industries such as petrochemical, natural gas, mining, and high-risk industries such as chemicals, as well as industrial manufacturing to automation, will gradually adopt computer equipment. With increased efficiency, risk reduction and predictive protection, rugged PCs are the

industry's choice to drive slow growth in rugged PC demand.

◎ Distribution of computer and its peripheral products

Many brand manufacturers hold new product launch events before and after Computex. According to the various new product conference and computex online and offline display of laptop models, you can find the development trend of laptop products in 2022.

Point 1: The brand factory continues to strengthen gaming laptop cooling technology. The focus of notebook brand manufacturers is by cooling system to direct heat generated by notebook core components to the fan outlet, or through fan, heat pipe arrangement, and motherboard with easily dissipating heat dissipation material. For gaming laptops that need to keep running at a higher speed, the advantages and disadvantages of a cooling system are the key to smooth operation and one of the criteria for gamers to review.

Point 2: Creators' laptops focus on software support. Powered by the digital content creation boom, creator notebook demand began to rise, including Intel, Fida and other manufacturers to promote the concept of laptop creators. In addition to chip manufacturers, the brand company designed software and hardware to optimize product performance for creators to use creative software.

Observation Point 3: OLED and Mini LED continue to spread to more diverse notebook models. With the continued input of panel suppliers and related backlight module manufacturers, the proportion of Mini LED technology and OLED panels applied to notebook products increased. Due to the high cost of Mini LED display technology, it is mainly based on high-end notebook models; OLED panel due to mature technology, increased production capacity, pressure to reduce cost, began to develop in the field of high-end consumer and commercial laptops.

◆ Competition

◎ Rugged notebook computer

Although Panasonic, Getac and Dell are the three major manufacturers of global rugged computers, with the trend of digitization in various industries and the acceleration of the demand for contactless and work from home devices driven by the COVID-19, business opportunities are brewing for rugged computers, attracting Taiwan computer manufacturers with manufacturing and production advantages to increase business momentum with high gross profit products. For example, in June 2020, Acer, a notebook computer brand, announced the launch of Enduro, a rugged computer brand. However, the market relies on SI or dealers to successfully bid, and once the bid is obtained, the two sides will usually establish a long-term cooperative relationship, which is the biggest challenge for newcomers to enter the market.

◎ Distribution of computers and peripheral products

The competition in the same industry is very fierce, mainly due to the diversification of computer and peripheral equipment products, short life cycle and rapid price decline, which gradually increases the inventory cost, distribution, maintenance and other operating costs of various manufacturers, so that even if the performance is improved, the profit is not necessarily increased. Therefore, we must take the route of large-scale, and establish economies of scale in procurement, automated storage equipment, distribution efficiency and so on. At present, the larger operators include Synnex, Acer, Genuine, etc; med-sized companies such as Sanjing, Honyu and Mildef lock in a small niche market with specific products.

(III) Technology and R&D overview

- ◆ R&D expenses invested in the most recent year up to the printing date of the annual report:

Unit: NT\$1,000

Item \ Year	Year 2022	First quarter of 2023
R&D expenses	69,796	17,287
Net operating revenue	2,708,366	634,611
Proportion of R&D expenses in net operating revenue (%)	2.58	2.72

- ◆ Successfully developed technologies:

The Company uses its own personnel and equipment to develop a number of technologies in cooperation with customers and research institutions at home and abroad. The description is as follows:

◎ Environmental resistance design:

In cooperation with National Chung-Shan Institute of Science & Technology (NCSIST), the organization and hardware design in line with the MIL-STD-810G standard of the U.S. military has been successfully implemented on the existing models, which have been verified by customers and are superior to competitors.

◎ Electromagnetic interference / tolerance design:


In cooperation with NCSIST, the whole machine design meeting the MIL-STD-461F standard of the US Army has been successfully implemented on several models.

Some models have even met the TEMPEST (NSA) AMSG (EU NATO) stealth computer standard, clearly outputting the competition.

◎ MTBF/MTTR (reliability / maintenance) :

Cooperate with Taiwan Testing and Certification Center to establish a reliability evaluation system, which can predict and improve the reliability to meet the requirements of customers.

- ◆ Successfully developed products - 2022

Product	Features and functions
DH8 (Military and Industrial Handheld Computers Handheld Computer) 	1. Intel Atom ® Processor, energy saving design, with high battery life 2. Windows 10 operating system 3. 5.7" LCD touch screen with magnetic stylus 4. Support DDR4 memory and M.2 SATAIII SSD. 5. Comprehensive connectivity with BT, WLAN, GNSS. 6. USB3.2 Gen.2 Support data transfer and 3A fast charging port. 7. Docklite Connector provides the best expansion flexibility and customized

Product	Features and functions
	<p>applications</p> <p>8. Long-life hot-swappable dual lithium-ion battery, long life power, easy removal, and can operate the module at low temperature up to -30°C.</p> <p>9. It adopts the industrial standard connector to provide reliable data transmission function, which can be used in various extreme weather environments</p> <p>10. CNCunibody aluminum chassis enhances overall impact resistance.</p> <p>11. Military certified MIL-STD-810H, MIL-STD-461G and IP67.</p> <p>12. With two programmable keys, you can set frequently used functions by yourself through System Manager.</p> <p>13. Integrate customer needs and provide flexible customized services</p>
<p>In response to the needs of customers in extremely low temperature environment, we are committed to developing the operational stability of various models in low temperature environment.</p>	

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

◆ Short term development plan

◎ Marketing strategy:

- A. Increase sales channels.
- B. Regularly participate in exhibitions and visit customers to improve customer satisfaction.

◎ R&D Strategy:

- A. Improve specifications and create high standard products.
- B. Cooperate with customers to develop derivative products and create a high-tech image.

◎ Production strategy:

- A. Continuously reduce the process defect rate and improve product quality.
- B. Reduce production costs.

◎ Business strategy:

- A. Maintain a flat organization, make full use of internal information systems, and improve decision-making efficiency, execution and operational performance.
- B. Train talents, strengthen staff training and recruit excellent talents to enhance the competitiveness of the Company.

◎ Financial strategy:

Maintain a good financial structure, properly plan the use of funds, and create the maximum return of capital under the principle of soundness.

◆ Long term development plan

◎ Marketing strategy:

- A. Establish strategic alliances with customers through investment and shareholding, and guide their testing and service capabilities, and gradually implement them to major countries, so as to achieve the framework of local operation and global support and expand market share.
- B. Provide customers with competitive advantages and solutions, and establish a solid cooperative relationship with customers with innovative technology, reliable quality and perfect technical support and services.

◎ R & D strategy:

Continuously improve technology and develop high value-added products to create the best interests of the Company.

◎ Production strategy:

- A. Improve the proportion of automatic production, continuously improve efficiency, improve quality, reduce cost and defect rate.
- B. Promote the satellite system, reduce material inventory and shorten order delivery time.

◎ Business strategy:

- A. Grasp the international pulse and industrial development trend, deeply cultivate Taiwan market, plan for the world road map, and establish a global operation headquarters.
- B. Integrate the information systems between upstream suppliers and the Company and between the Company and downstream customers to enable closer integration and create dual win-win situations.

◎ Financial strategy:

- A. High standard and strict risk control to grasp all possible risks.
- B. Sustained and steady financial operation, in line with the operation objectives and development plans, strengthen the operation structure, improve the overall competitiveness, create the best rate of return on shareholders' equity, and give our shareholders sustainable, stable and growing profits.
- C. Improve specifications and create a high-quality image.
- D. Cooperate with customers to develop derivative products and create a high-tech image.

II. Market, production and sales overview

(I) Market analysis

◆ Sales area of main products:

Unit: NT\$1,000

Year		2022		2021	
		Amount	Proportion (%)	Amount	Proportion (%)
Export	Germany	336,373	12.42	383,951	13.67
	Sweden	117,723	4.35	112,526	4.01
	U.S.A	195,646	7.22	60,538	2.16
	Other regions	67,951	2.51	60,166	2.14
Domestic sales		1,990,673	73.50	2,190,524	78.02
Total		2,708,366	100.00	2,807,705	100.00

◆ Market share:

Due to the small scale of rugged computers in the domestic market and most of the sales of various manufacturers are mainly for export, there are no clear industrial statistics. In terms of the distribution of computers and their peripheral products, due to the large number of competitors in the domestic market and the competitive status as the great one is always great, the Company is not a fully professional computer product agent, so we have a small share in Taiwan.

◆ Future supply and demand and growth of the market

◎ Rugged Computer

★ Supply and demand

A. Demand side

The main sales targets of rugged notebook computers are government agencies or military units in various countries. Therefore, the unit price of such special specifications of notebook computers is expensive, which is usually in great demand in advanced countries and regions. At present, 70% are concentrated in the North American market, about 20% in the European market, and the remaining 10% are in the Asia Pacific region. Due to the increasingly powerful functions of rugged notebook computers, the scope of application is becoming wider and wider. In addition to the stable growth of the main market North America in the next few years, the compound growth rate of Europe and the Asia Pacific region will reach about 10% in the next five years.

B. Supply side

As the industry of rugged notebook computers is relatively special and the market is small, there is no relevant statistical data. Compared with the global commercial notebook computers, the production scale of the Company is still small, and the rugged notebook computers are customized according to the special needs of different customers. Therefore, there is no risk of oversupply or insufficient supply.

★ Future growth

The scale of rugged notebook computers is gradually expanding, which has been widely accepted in some developed countries, and developing countries have gradually realized the necessity of using rugged notebook computers. In particular, police, patrol vehicles and detection vehicles have been regarded as

necessary equipment, and the demand for special specification notebook computers for industrial use is also increasing. Therefore, compared with the commercial notebook computer industry, the market of rugged notebook computers still has considerable room for development in the next few years. At present, there are few manufacturers engage in the industry, which belongs to a niche market with special specifications. Therefore, the Company can still maintain its competitive advantage and sustain stable profit growth in the future.

◎ Distribution of computer and its peripheral products

★ Supply and demand

1. Product price: As product specifications evolve more slowly, price is one of the most important factors for consumers to replace their computers. When the price is lower, consumers' willingness to replace will increase. For example, when the price of products drops rapidly, consumers will give up repairing old products and buy new equipment, increasing the demand for notebook computer manufacturing industry.
2. Economic status: the economic status affects the willingness of enterprises and consumers to change computers. If the economic boom increases national income, it is expected to drive strong consumer spending, which will be conducive to consumers' purchase of computer products; On the contrary, conservative consumer spending will be detrimental to the growth of demand for notebook computers.
3. Innovation of related products or systems and software: with the introduction of new generation computers and new operating systems, the demand for computer hardware specifications may increase, which is expected to accelerate consumers to update the original notebook computers. On the contrary, the introduction of cross-border products has caused tablet computers to replace notebook computers, which is not conducive to the demand for notebook computers.
4. Substitution effect of notebook computer on desktop computer: due to the continuous narrowing of the price difference between notebook computer and desktop computer, and the hardware specifications of laptops have been brought closer to those of desktops, creating a substitution effect for laptops to replace desktops, resulting in an increase in demand for laptops.
5. Changes in computer use habits: the use habits of computer users have gradually changed from desktop computers to portable notebook computers. With the popularization of wireless networks, the use of networks is no longer limited to the places that can be reached by the network cable, which greatly enhances the convenience of notebook computers to surf the Internet, and is conducive to enhancing the market demand for notebook computers. However, tablet computers is more convenient to carry, which relatively dilutes the popularity of notebook computers.
6. The scale of e-sports game market and the application of virtual equipment are expanded: with the governments of various countries supporting the e-sports industry, and e-sports events are different from ordinary computer game software, there are winners and losers in the online game. In order to win the game, e-sports game players do not hesitate to spend money on hardware. In addition, the application of virtual reality devices is expanded, which has boosted the demand for e-sports notebook computers.

★ Future growth

With the advent of the trend of big data era, wearable devices play a key role in collecting user information, which also makes more and more brand factories introduce the research and development of wearable devices such as smart watches, smart bracelets and smart headphones, which has become the next wave of new technology trend after smart phones.

◆ Competitive edge

- ◎ The Company has established a global marketing network, has professional partners in various consumer countries, and invests in dealers in the most important North American and European markets. We can fully grasp the loyalty and market trends.
- ◎ With independent R&D personnel and established knowledge base and laboratory related to environmental resistance and electromagnetic interference, it is difficult for new competitors to catch up.
- ◎ Our products have been scattered to various markets and are less affected by economic changes.
- ◎ The Company's flexible production system can meet the needs of customers for small quantity, diverse design and fast delivery.
- ◎ The main management team has cooperated for more than ten years, the turnover rate of cadres and personnel is very low, and the cohesion of employees is strong.

◆ Favorable and unfavorable factors of development prospects

◎ Favorable factors

★ Master marketing channels and products, and the market is scattered

After years of efforts, the Company has established a close cooperative relationship with customers. Customers have also deeply cultivated this professional market and entered different industries and applications. The cooperation model has also been tested by actual battle with successful experience of repelling competition and winning orders for many times.

★ Strong R&D team and professional management talents

The Company's R&D team has more than 20 years of R&D experience in this field and has obtained a number of patented technologies leading the industry.

Independent R&D ability can also master the development schedule of the latest technology. In addition, the professional management personnel of each department can ensure the stability and improvement of manufacturing cost control and quality capability.

★ Taiwan's overall information industry environment

Taiwan's advantages such as rapid and easy access to technology, parts, abundant professionals and complete support system are very suitable for the Company's high added value, small quantity with diverse design for business orientations.

◎ Adverse factors and countermeasures

★ Local manufacturer and Japanese giant brand Panasonic join the competition

Notebook computer manufacturers Winmate and Panasonic transform and join competition, and strive for OEM or end customers with low price and large quantity.

Countermeasures: rugged computers are products with small quantity and diverse design, and customers often require local modifications. The Company should maintain the flexibility of small companies, quickly meet the special needs of customers, and strive to improve product specifications and quality, as well as reduce costs in order to maintain competitiveness.

★ The Company is small in scale and lack of funds and talents

At present, it is still in the stage of small and medium-sized enterprises. Although the profits are good, the popularity is not high, and it is difficult to obtain funds and talents.

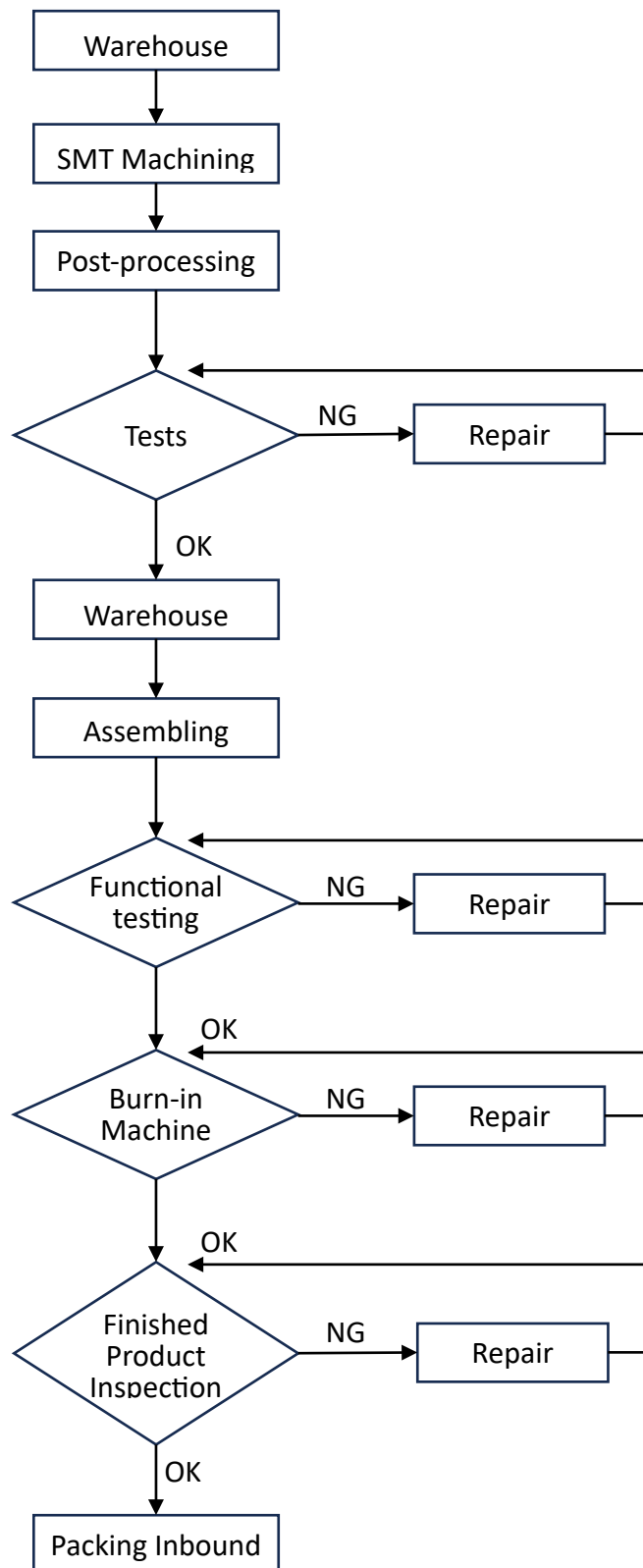
Countermeasures: make operation transparent and go listed to strengthen the Company's image, introduce public funds, implement employee stock option and reward and dividend system, and effectively attract talents.

(II) Important uses and production process of main products

◆ Main product uses

Main product name	Purpose	Production process
Rugged computer	Military use, police vehicle reconnaissance use, industrial use	The Company develops, designs, produces, processes, assembles, tests, validates and packs by itself.
Distribution of computer and its peripheral products	Personal computer and all kinds of peripheral products required for use	There is no production process in this part

◆ Production process



(III) Supply of main raw materials

◆ The main raw materials of rugged notebook computers are liquid crystal display (LCD), hard disk (HDD), central processing unit (CPU), memory (RAM) and lithium battery. Among them, liquid crystal display accounts for the highest proportion of production cost, followed by central processing unit and hard disk.

◆ The distribution of commercial notebook computers and peripheral products is mainly to purchase and resell from well-known domestic manufacturers. At present, the purchasing sources of rugged notebook computers, computers and peripheral products are well-known agents at home and abroad, and have a stable cooperative relationship with the Company. The supply is stable and sufficient, so the source of production raw materials should not be scarce.

(IV) The name of the customer who has accounted for more than 10% of the total amount of purchase (sales) in any of the last two years and the amount and percentage of purchase (sales)

◆ Supplier

Unit: NT\$1,000

Item	2022				2021				As of the first quarter of 2023			
	Title	Amount	Percentage of net purchase in the whole year [%]	Relationship with the issuer	Title	Amount	Percentage of net purchase in the whole year 360373	Relationship with the issuer	Title	Amount	Percentage of net purchases as of the previous quarter in the current year [%]	Relationship with the issuer
1	Company A	924,884	42.34	None	Company A	712,601	33.15	None	Company A	191,600	33.06	None
2	Company B	368,745	16.88	None	Company B	390,713	18.18	None	Company B	65,667	11.33	None
3									Company C	59,242	10.22	None
4												
	Other	890,887	40.78		Other	1,046,346	48.67		Other	263,121	45.39	
	Net purchases	2,184,516	100.00		Net purchases	2,149,660	100.00		Net purchases	579,630	100.00	

◆ Customer of sales

Unit: NT\$1,000

Item	2022				2021				As of the first quarter of 2023			
	Title	Amount	Percentage of the net sales in the whole year [%]	Relationship with the issuer	Title	Amount	Percentage of the net sales in the whole year [%]	Relationship with the issuer	Title	Amount	Percentage of net sales as of the previous quarter in the current year [%]	Relationship with the issuer
1	RODA	336,373	12.42	Other substantial related parties	RODA	376,504	13.41	Other substantial related parties	RODA	71,061	11.20	Other substantial related parties
2									Company A	68,800	10.84	None
	Other	2,371,993	87.58		Other	2,431,201	86.59		Other	494,750	77.96	
	Net sales	2,708,366	100.00		Net sales	2,807,705	100.00		Net sales	634,611	100.00	

The increase or decrease of customers for sales is mainly due to the change of customer demand

(V) Table of production volume and output value in the last two years

Unit: NT\$1,000

Year Production volume and output value principal Main product (or department)	2022			2021		
	Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Rugged notebook computer	6,525	5,292	471,681	6,525	5,290	407,245

(VI) Sales volume of the last two years

Unit: NT\$1,000

Year Sales volume and sales value Main product (or department)	2022				2021			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Notebook computer	70,373	1,911,679	4,315	725,581	76,557	2,012,321	3,913	617,181
Computer peripherals		71,106				178,203		
Total	70,373	1,982,785	4,315	725,581	74,998	2,190,524	3,913	617,181

Note 1. Export sales value includes notebook computers, computer peripherals, maintenance and other operating income.

Note 2. Computer peripheral products are diverse, so the quantity is not counted.

III. The number of employees, average length of service, average age and education distribution ratio of employees in the last two years and as of the printing date of the annual report:

Data of employees in the last two years and up to the printing date of the annual report

Year		2022	2021	As of March 31, 2023
Number of employees	Management	18	17	18
	R&D personnel	36	36	37
	Business personnel	138	154	132
	Production personnel	100	97	100
	Total	292	304	287
Average age		43.16	40.78	41.53
Average length of service		13.42	13.33	13.14
Education distribution ratio%	Doctor	0	0	0
	Master	3.77	2.63	4.18
	College	71.57	92.44	72.47

Year		2022	2021	As of March 31, 2023
	High school	20.21	0	18.82
	Below high school	4.45	4.93	4.53

Data of employees in the last two years and up to the printing date of the annual report

Year	2022		2021		As of March 31, 2023	
Gender	Number of people	Proportion	Number of people	Proportion	Number of people	Proportion
Male	196	67.12	203	66.78	191	66.55
Female	96	32.88	101	33.22	96	33.45
Total	292	100.00	304	100.00	287	100.00

IV. Environmental protection expenditure

- (I) Losses suffered due to environmental pollution in the most recent year and up to the printing date of the annual report (including compensation and environmental protection inspection results, violation of environmental protection laws and regulations, date of punishment, name of punishment, violation of laws and regulations, content of violation of laws and regulations and content of punishment shall be listed):

1. There was no violation of environmental protection laws and regulations in 2022 and up to the printing date of the annual report.
2. The Company's business has not caused any pollution, due to the production and activities of the waste, the treatment is as follows:

Classification	Definition	Treatment method
General business waste	Wastes other than hazardous wastes generated by business units	Commission to cleaning personnel to properly handle it and stack it in a fixed place
Resource waste	Wastes generated by business units that can be recycled (such as paper, iron, aluminum, etc.)	The administration representative and the designated personnel shall properly handle it and stack it in a fixed place
Hazardous business waste	Hazardous waste (defective products) generated by business units in compliance with environmental protection related regulations	All departments shall properly keep the ordinary bad wastes, and give priority to use them if they can be recycled. After the annual scrapping operation is completed, it shall be handed over to the administration representative and the designated personnel to commission a qualified clearance and disposal provider for disposal.

(II) Future countermeasures and possible expenditures:

- ★ Future countermeasures: in October 2005, the Company passed the verification of ISO 14001 environmental management system of the Bureau of Standards, Metrology and Inspection, M.O.E.A., fully understood the importance of environmental protection, not only continued to advocate employees' awareness of environmental protection, but also implemented various measures related to environmental protection within the Company (please refer to page 81-83 of this annual report).
- ★ Possible expenses: at present, we focus on the implementation of various measures related to environmental protection within the Company, and it is expected that there will be no large amount of expenditure.

V. Labor relations

(I) Employee welfare measures

- ◎ The Company regards respecting human nature and caring for employees as one of its business philosophy. In order to fully take care of the physical and mental health of colleagues or their dependents, and establish various guarantees for their lives, so that they can concentrate on their duties, work hard for the Company without any worry, the Company hereby provides or sponsors various relevant welfare plans, and the Company's colleagues form a welfare committee, which is approved and put on record by the competent authority to be responsible for the planning and implementation of employee welfare matters. Its funding sources are (1) 0.5% of the monthly salary of employees (2) 0.1% of the monthly net operating revenue (3) 40% of sales of scraps. At present, the following employee welfare measures have been handled:

☆ Insurance: labor and health insurance

☆ Regular free employee health examination

☆ Birthday gift money, Labor Day gift money, gift money for Dragon Boat Festival / Mid Autumn Festival / Spring Festival , year-end party and lottery

☆ Various subsidies for employees' marriage, funeral, celebration, hospitalization and childbirth

☆ Employee travel subsidy

☆ Employee remuneration and sharing of business results

☆ Set up various types of club activities, such as yoga club and spinning bike club

☆ Separate nursery room and pumping room

☆ Other matters related to employee welfare.

- ◎ In order to pursue the sustainable growth of the enterprise and share the operating results of the enterprise with employees, the measures for employees to subscribe for shares and stock options are implemented, and the concept of "employees are shareholders" is implemented.

(II) Employee further education and training

- ◎ To enhance the job skills and professional knowledge of the Company's employees, adapt to changes in technology and market changes, cultivate high quality talents, maintain their competitiveness, improve job performance, improve product quality, strengthen environmental protection concept and environmental protection awareness,

so that employees' career development and business experience can sustainably grow, the Company has a "education and training operation procedure", designated personnel department as the responsible unit of the program, responsible for handling the needs of the survey for education and training, summarize the needs of each unit, prepare annual training plan and 2. evaluate and review Training execution results, as a reference for future improvement.

◎ the Company's staff education and training includes:

1. Newcomer training: the HR Department shall handle the training for new employees, so that they can get familiar with the Company environment, adapt to the Company culture and understand the relevant systems of the Company as soon as possible.
2. Pre-service training: the supervisor of the employer shall assign senior employees or dedicated personnel to assist and guide new employees or new hires to meet with the colleagues of the service unit, environment, describe work content, instruct the use of business instruments, etc., eliminate their fear for the new environment, and enable them to enter the work status as soon as possible.
3. On the job training: as the compliance with product quality and environmental protection requirements will be directly or indirectly affected by the implementation of relevant staff, the head of each unit may consider the work of employees and provide relevant professional knowledge or skill training to cultivate their ability.

On the job training is divided into internal training and external training.

Internal training: either by the organiser or hired scholars or experts to the Company's courses or lectures, e-learning or company policy advocacy.

External training: it can be assigned by the Company or applied for by employees, and there are regulations for cost subsidies if the employees apply for by themselves.

◎ Training hours planning:

- (1) Manager, deputy manager, section chief, specialist, secretary and engineer: 24h / year
- (2) Team leader, assistant, technician and other direct employees: 15h / year

◎ According to the nature of the course: fiscal and tax internal control, corporate governance, human resources law, environmental management, health management, labor safety, production process, product technology, business marketing, inspection and certification, operation process, system operation and others, 13 categories in total.

◎ The statistics and expenditure of staff further education and training in 2022 are as follows:

People	Total Hours (H)	Expenditure (NT\$1,000)
1,154	2,022	48

◎ Achievement of training hour planning in 2022

Achievement of Education and Training in 2022 – Individual Department						
Department	Number of people	Recommended Hours	Execution Hours	Achieve Rate in 2022	Achieve Rate in 2021	Description
R&D Division	35	728	479.5	65.76%	142.98%	77.11% lower than 2021
Administration Division	16	366	391	106.83%	170.03%	63.20% lower than 2021
Business Division	8	186	85	45.70%	213.33%	167.63% lower than 2021
Manufacturing + Quality Assurance/Industrial Safety	99	2328	1066.5	45.81%	134.22%	88.41% lower than 2021
Total	158	3508	2022	56.04%	146.47%	90.43% lower than 2021

1. RDD: This year's achievement rate was 65.87%, a 77.11% lower than last year. Mainly based on the annual curriculum, the difference is relatively small, and the number of hours is still due to the epidemic affecting the number of students.
2. Management Office: This year's achievement rate was 106.83%, lower than last year by 63.20%. Training courses are based on functional training. In addition to compulsory courses by competent authorities, the information room and audit room meet government policy, corporate ESG promotion courses this year, while the procurement department training hours are low, still need to be strengthened.
3. Business Office: This year's achievement rate was 45.70%, lower than last year 167.63%. In addition to marketing colleagues participating in fixed courses arranged by the R&D Office, the training hours for other colleagues are significantly insufficient and needs to be strengthened.
4. Manufacturer/QA: The achievement rate was 45.81% this year, lower than last year by 88.41%. In addition to the operating instructions of each unit and occupational safety training, there are new products DH8, dFlo and RK15 technology transfer courses, but the training target hours this year have been increased from 15 hours to 24. Decreased hours and the number of classes during the pandemic resulted in a lower overall rate.

* Review and Improvement:

1. This year's overall achievement rate decreased by 90.43% compared to last year, mainly affected by the epidemic. In the case of diagnosis, the number of courses started to avoid cluster infection was reduced and the overall training hours were lower.
2. As the epidemic is gradually closed in China, training plans for each unit should be recoverable.
3. We will provide suggestions and assistance to units with low training hours.

(III) Retirement system and Implementation

- ◎ The Company has formulated the "measures for the administration of employee retirement" and actuarial work on the retirement reserve through a professional actuary. The Company allocates the "retirement reserve" within the limit of 2% of the total salary of employees every month and deposit it in the special pension account of the Bank of Taiwan. By the end of 2022, the balance of the special pension account was NT\$56,763,000, enough for giving to employees who meet retirement requirements in 2023.

- ◎ The "retirement reserve supervision committee" organized by both employers and employees is responsible for the management, supervision and review of matters related to retirement reserve.

Related matters.

- (1) If a colleague complies with the retirement regulations, the Company may give two base amounts for each full year of his / her working experience. However, for more than 15 years of working experience, a base amount shall be given for each full year, with a maximum of 45 base points. For less than half a year, it shall be counted as half a year and for half a year, it shall be counted as one year.
- (2) Annually estimated the pension amount of qualified employees in the current year by the Personnel Department, if there is a pension account

In the event of insufficient amount, it was allocated to the account at the resolution of the Committee to protect the rights and interests of employees.

- ◎ Since July 1, 2005, in line with the implementation of the Labor Pension Act (hereinafter referred to as the "new system"), if the employees who originally applied the measures choose to apply the service length after the new system is implemented, or the employees who come to work after the implementation of the new system, their service length will be changed to the defined contribution system, and the payment of their pension will be set aside by the Company at 6% of their monthly salary and deposited in the individual account of labor pension.
- ◎ In 2022, the pension cost allocated by the new and old system was NT\$11,205,000, and two colleagues retired.

(IV) Negotiations between labor and management and measures for safeguarding the rights and interests of employees

- ◎ The Company has always handled labor relations in line with the business philosophy of integration of labor and management, coexistence and common prosperity, so it attaches great importance to the opinions of employees. Employees can reflect their problems in work and life at any time through the formal and informal communication channels of the Company. Through the following two-way communication opportunities, the Company and employees can better understand and recognize each other, so as to gather consensus and create good results.
- ◎ Labor-management coordination meeting - held quarterly
The advocacy communication of the Company's systems and the two-way communication between employees on the Company's various decrees, working environment, safety and health and other issues. Through this negotiation and communication model, both labor and management can strengthen the good faith relationship of mutual trust and mutual understanding, which can be used as an important reference source in management and administration.
- ◎ Employee welfare committee - re-elected annually
The employee welfare committee is appointed with employees who are enthusiastic about public welfare and good at communication to lead the Company's welfare measures:

- (1) Welfare subsidies - marriage, funeral, happiness, celebration, birthday, childbirth, hospitalization for injuries and illness; emergency relief is handled as a special project.
- (2) Cultural and recreational activities - tourism, lottery, birthday party, leisure club recreation facilities or activities.
- (3) Annual festivals - Dragon Boat Festival, Labor Day, Mid Autumn Festival.
- (4) Other benefits - decided by the committee at its meeting.

◎ Regular health examination-

In order to maintain the health of colleagues, the Company pays to hire a professional medical team to the factory to carry out general health checks for all employees.

◎ Employee remuneration -

In order to increase employees' sense of participation in the Company and improve business and management performance, according to the Company's articles of association approved by the Company's Board of Directors has not been resolved by the shareholders meeting, if there is a profit for the year, 5% ~ 10% should be allocated to employee remuneration. Let employees gather their cohesion with the Company through the process of profit sharing, and then work together for the overall goal of the Company.

◎ In order to safeguard gender equality and the dignity of employees in work, it is combined with existing laws and regulations, such as the Act of Gender Equality in Employment:

Formulate the Company's female personnel protection procedures and measures for the prevention and treatment of sexual harassment, so as to safeguard the rights and interests of employees and strengthen workplace safety.

◎ Formulate a "work rules" manual for employees, advocate it when new employees report for duty, and place it on the Company's internal website.

- (V) For the most recent year and up to the printing date of the annual report, the losses suffered due to labor disputes (including the violation of the Labor Standards Act in the labor inspection results, the date of sanction, the document number of sanction, the provisions of the law violated, the content of the law violated, and the content of the sanction should be listed), as well as the estimated amount of current and potential future losses and response measures should be disclosed:

1. The results of labor inspection in 2022 and violations of Labor Standards Act are as follows:
2. In the future, the Company will continue to adhere to the consistent principle, continuously improve various welfare measures of employees, maintain smooth communication channels, and sustain good labor relations and consensus. Therefore, there should be no risk of labor disputes in the future.

VI. Information security management

(I) Information security risk management framework

The information room is dedicated to the information security risk management of the Company. So far, one person has been appointed, and its direct supervisor is the executive vice president.

(II) Information security risk assessment

The Company has established a set of network and computer security protection system to control or maintain the functions of the Company's operation, accounting and other important business operations, but there is no guarantee that our computer system can completely avoid the attack of cyber virus initiated by a third party that may cause system paralysis. These cyberattacks have unlawfully invaded our intranet systems to undermine our operations or damage our reputation, and may also attempt to steal company trade secrets, other intellectual property and confidential information such as employee data and proprietary information about customers or other stakeholders. Malicious hackers can also try to import computer viruses or destructive software into the Company's network system to interfere with the Company's operations or pry into confidential information. In case of serious cyber attack, the Company's system may lose the important operation data of the Company and affect the normal operation of the Company.

(III) Information and communication security policy

In order to ensure the smooth operation of the Company, prevent unauthorized access, use, control, leakage, destruction, manipulation, destroy or other infringement of information or communication system, and ensure its confidentiality, integrity and availability, policies are formulated as follows:

1. Effectively manage information assets, continuously carry out risk assessment, and take appropriate protective measures.
2. Protect the information and communication system from unauthorized access and maintain the confidentiality of the information and communication system.
3. Protect against unauthorized modifications to safeguard the integrity of information and communication system.
4. Ensure that authorized users can use the information and communication system when necessary.
5. Comply with laws and regulations.

(IV) Specific Management Plan

The Company's information security risk through the results of risk identification and risk assessment, confirm the adverse impact of the security risk on the business, and take corresponding management measures as follows:

1. There are "electronic operation cycle" measures to clarify the planning and application policies of information and communication security rights and responsibility units and information systems, as well as their handling and application procedures, so as to meet the requirements of operation safety, standardization, rationality and legitimacy and protect the rights and interests of the Company.
2. Network firewall setting - hardware firewall device.
3. Anti-virus software settings - use the central control security software of Trend Micro for corporate use.
4. System program data access control -
 - (1) Establish identity permissions to govern file use.
 - (2) Establish remote data backup mechanism.

5. Computer management control of e-mail and personal work - establish identity and set personal password control.
6. Information system disaster recovery plan.
7. Production line - automatic plug-in equipment -
 - (1) No networking of equipment
 - (2) The program is distributed to the workstation of each device. Stealing a single program cannot destroy
 - (3) The procedures used in production are placed on the Company's intranet, and only the user units can access them with the authorized password.
8. Compliance

The Company and its employees shall comply with various laws, decrees, regulations or contractual obligations related to information security, as well as matters required by the Company's information security specifications. Regularly conduct information security audits to implement control measures related to information security.
9. Implementation of internal audit

The audit unit shall list information security as an annual audit operation every year, and report the audit results to the audit committee and the Board of Directors respectively.

(V) Resources input in information and communication security management

1. The new generation of hardware firewall, status firewall, built-in anti-virus, anti-spyware and intrusion prevention can effectively protect internal security.
2. The security protection software Apex One and the latest version of Trend provide endpoint protection for users.
3. Multi-functional email server with built-in anti-virus function scans, filters and isolates every email sent and received, and built-in active spam filtering engine effectively prevents phishing and bad emails.

(VI) Information Security Officer and Information Security Staffing

On May 3, 2023, the 18th session of the 13th Board of Directors passed the setting up of information security supervisors and information security officers.

1. The responsibilities are as follows: Planning, monitoring and implementing information security management of information security systems.
2. Dedicated Head of Information Security: Executive Vice President Zhou Yongxiang
Security Specialist: Information Room - Kan Yat Wah, Senior Engineer

(VII) Losses, possible impacts and countermeasures caused by major information and communication security incidents in the most recent year and up to the date of printing of the annual report

For the year 2022 and as of the publication of the Annual Report, the Company did not identify any major cyber attacks or incidents.

VII. Important contract

Supply and sales, technical cooperation, engineering contracts, long-term loan contracts and other important contracts sufficient to affect the rights and interests of investors that are still valid and expire in the most recent year: none.

Chapter 6. Financial overview

I. Condensed financial data of the last five years

(I)

1. Consolidated condensed balance sheet - IFRS

Unit: NT\$1,000

Item \ Year		Financial summary for the last five years (Note 1)					Financial data of the current year as of March 31, 2023 (Note 3)
		2022	2021	2020	2019	2018	
Current assets		1,889,117	1,859,023	1,794,807	1,723,171	1,442,355	2,008,574
Property, plant and equipment		242,500	242,238	246,987	245,908	244,059	241,202
Intangible assets		9,417	7,765	4,114	4,647	2,799	8,147
Other assets		1,174,628	849,143	257,188	256,708	230,808	1,026,851
Total assets		3,315,662	2,958,169	2,303,096	2,230,434	1,920,021	3,284,774
Current liabilities	Before distribution	621,790	594,777	559,364	605,342	413,474	663,428
	After distribution (Note 2)	833,058	811,914	823,449	851,821	577,794	874,693
Non-current liabilities		264,804	223,202	121,143	115,695	96,308	248,804
Total liabilities	Before distribution	886,594	817,979	680,507	721,037	509,782	912,229
	After distribution (Note 2)	1,097,862	1,035,116	944,592	967,516	674,102	1,123,497
Equity attributable to owners of the parent		2,413,121	2,126,217	1,604,603	1,497,635	1,402,564	2,350,851
Share capital		586,855	586,855	586,855	586,855	586,855	586,855
Capital surplus		72,650	72,650	72,650	72,650	72,650	74,113
Retained earnings	Before distribution	1,372,791	1,361,658	990,039	890,405	778,540	1,424,060
	After distribution (Note 2)	1,161,523	1,144,521	725,954	643,926	614,220	1,212,792
Other Equity		380,825	105,054	(44,941)	(52,275)	(35,481)	265,823
Treasury stock		0	0	0	0	0	0
Non-controlling interests		15,947	13,973	17,986	11,762	7,675	21,694
Total equity	Before distribution	2,429,068	2,140,190	1,622,589	1,509,397	1,410,239	2,372,545
	After distribution (Note 2)	2,217,800	1,923,053	1,358,504	1,262,918	1,245,919	2,161,277

Note 1. The financial information for each year is checked by CPAs.

Note 2. Figures after allocation in 2022, based on the resolution of the Board of Directors or the next annual shareholders' meeting

Note 3. The financial data are reviewed by the CPAs.

2. The parent only condensed balance sheet - IFRS

Unit: NT\$1,000

Item \ Year		Financial summary for the last five years (Note 1)				
		2022	2021	2020	2019	2018
Current assets		1,852,192	1,831,674	1,765,592	1,708,966	1,428,594
Property, plant and equipment		222,025	220,590	221,944	223,717	228,154
Intangible assets		7,146	7,765	4,114	4,535	2,407
Other assets		1,188,422	855,722	273,961	263,687	235,375
Total assets		3,269,785	2,915,751	2,265,611	2,200,905	1,894,530
Current liabilities	Before distribution	603,398	580,740	541,903	594,692	397,110
	After distribution (Note 2)	814,666	797,877	805,988	841,171	561,430
Non-current liabilities		253,266	208,794	119,105	108,578	94,856
Total liabilities	Before distribution	856,664	789,534	661,008	703,270	491,966
	After distribution (Note 2)	1,067,932	1,006,671	925,093	949,749	656,286
Equity attributable to owners of the parent		2,413,121	2,126,217	1,604,603	1,497,635	1,402,564
Share capital		586,855	586,855	586,855	586,855	586,855
Capital surplus		72,650	72,650	72,650	72,650	72,650
Retained earnings	Before distribution	1,372,791	1,361,658	990,039	890,405	778,540
	After distribution (Note 2)	1,161,523	1,144,521	728,954	643,926	614,220
Other Equity		380,825	105,054	(44,941)	(52,275)	(35,481)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	2,413,121	2,915,751	2,265,611	1,497,635	1,402,564
	After distribution (Note 2)	2,201,853	2,698,614	2,001,526	1,251,156	1,238,244

Note 1. The financial information for each year is checked by CPAs.

Note 2. The figures after distribution in 2022 are filled in according to the resolutions of the Board of Directors or the next annual shareholders' meeting.

(II)

1. Consolidated condensed statement of comprehensive income - IFRS

Unit: NT\$1,000

Item \ Year	Financial summary for the last five years (Note)					Financial data of the current year as of March 31, 2023 (Note)
	2022	2021	2020	2019	2018	
Operating revenue	2,708,366	2,807,705	2,975,826	2,822,222	2,420,390	634,611
Gross operating profit	558,175	615,605	681,312	639,670	492,952	123,875
Operating profit and loss	265,822	324,548	371,213	321,340	188,634	60,977
Non-operating income and expense	39,663	484,629	50,543	33,729	29,373	835
Net profit before tax	305,485	809,177	421,756	355,069	218,007	61,812
Net profit of continuing operations in the current period	235,380	644,375	329,496	278,483	177,898	48,163
Loss on discontinued business unit	0	0	0	0	0	0
Net profit (loss) for the current period	235,380	644,375	329,496	278,483	177,898	48,163
Other comprehensive profit or loss for the current period (net after tax)	275,771	149,995	30,175	(16,794)	7,344	(109,726)
Total amount of other current comprehensive gains and losses	511,151	794,370	359,671	261,689	185,242	(61,563)
Net profit attributable to owners of the parent company	228,270	638,192	323,272	278,214	182,113	45,993
Net profit attributable to non-controlling interests	7,110	6,183	6,224	269	(4,215)	2,170
Total comprehensive profit or loss attributable to owners of the parent company	504,041	788,187	353,447	261,420	189,457	(63,733)
Total comprehensive profit or loss attributable to non-controlling interests	7,110	6,183	6,224	269	(4,215)	2,170
EPS	3.89	10.87	5.51	4.74	3.10	0.78

Note: The financial information for each year and up to March 31, 2023 has been verified, certified or reviewed by the CPAs.

2. Parent only condensed consolidated income statement - IFRS

Unit: NT\$1,000

Item \ Year	Financial summary for the last five years (Note)				
	2022	2021	2020	2019	2018
Operating revenue	2,706,970	2,807,558	2,975,826	2,822,099	2,420,245
Gross operating profit	524,875	589,593	657,105	633,265	491,225
Operating profit and loss	238,733	303,456	352,775	319,491	192,051
Non-operating income and expense	53,207	491,821	58,511	35,309	30,171
Net profit before tax	291,940	795,277	411,286	354,800	222,222
Net profit of continuing operations in the current period	228,270	638,192	323,272	278,214	182,113
Loss on discontinued business unit	0	0	0	0	0
Net profit (loss) for the current period	228,270	638,192	323,272	278,214	182,113
Other comprehensive profit or loss for the current period (net after tax)	275,771	149,995	30,175	(16,794)	7,344
Total amount of other current comprehensive gains and losses	504,041	788,187	353,447	261,420	189,457
Net profit attributable to owners of the parent company	228,270	638,192	323,272	278,214	182,113
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive profit or loss attributable to owners of the parent company	504,041	788,187	353,447	261,420	189,457
Total comprehensive profit or loss attributable to non-controlling interests	0	0	0	0	0
EPS	3.89	10.87	5.51	4.74	3.10

Note: The financial information of each year has been verified by the accountant visa.

(III) Names of CPAs and review opinion:

Year	Firm name	Names of CPAs	Opinion (Note)
2018	KPMG	CPA Ci-Jie Tang, CPA Wei-Ming Shi	Unqualified opinion
2019	KPMG	CPA Ci-Jie Tang, CPA Wei-Ming Shi	Unqualified opinion
2020	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion
2021	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion
2022	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion

II.

1. Consolidated financial analysis for the most recent five-year period - IFRS

Analysis items		Year	Financial analysis of the last five years (Note)					Current year as of March 31, 2023
			2022	2021	2020	2019	2018	
Financial structure	Ratio of liabilities to assets (%)		26.74	27.65	29.55	32.33	26.55	27.77
	Ratio of long-term capital to property, plant and equipment (%)		1,001.68	883.51	657.66	541.32	581.00	983.63
Debt service ability	Current ratio (%)		303.82	312.56	320.87	284.66	348.84	302.76
	Quick Ratio (%)		135.57	159.60	165.08	153.61	173.58	129.81
	Interest coverage ratio (%)		369.94	1,676.31	594.19	330.99	497.60	322.94
Operating capacity	Receivables turnover rate (times)		30.16	21.74	18.33	27.01	20.49	20.10
	Average cash received days		12	17	20	14	18	18
	Inventory turnover rate (times)		2.21	2.49	2.78	2.89	2.95	1.87
	Payable turnover rate (times)		13.17	15.49	12.83	11.48	11.89	10.67
	Average sales days		165	147	131	126	124	195
	Property, plant and equipment turnover rate (times)		11.17	11.59	12.05	10.10	9.80	10.52
	Total asset turnover rate (times)		0.82	0.95	1.29	1.27	1.25	0.77
Profitability	Return on assets (%)		7.52	24.51	14.56	13.46	9.11	5.84
	Return on equity (%)		10.30	34.25	21.04	19.08	12.40	8.02
	Percentage of net income before tax to paid-in capital (%)		52.05	137.88	71.87	60.50	37.15	42.13
	Net income ratio (%)		8.69	22.95	11.07	9.86	7.44	7.59
	Earnings per share (NT\$)		3.89	10.87	5.51	4.74	3.03	0.78
Cash flow	Cash flow ratio (%)		18.14	61.08	30.07	58.95	24.92	(3.88)
	Cash flow adequacy ratio (%)		63.58	69.80	80.79	88.39	80.97	46.07
	Cash reinvestment ratio (%)		(6.21)	5.98	(4.46)	12.23	(9.01)	(13.50)
Leverage	Operating leverage		2.13	1.93	1.81	1.90	1.10	2.11
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00

Reasons for changes in various financial ratios of more than 20% in the last two years (if the increase or decrease is less than 20%, analysis may be exempted)

1. The increase in the interest coverage ratio is mainly due to the increase in the net profit before tax of the current period compared with the same period of the previous year
2. The increase in the turnover rate of payables is mainly due to the decrease in the average accounts payable in the current period compared with the same period last year
3. Decrease in average collection days principal due to the increase in turnover rate of current period receivables compared to the same period last year
4. The increase in the return on asset is mainly due to the increase in the net income after tax of the current period

- | | |
|-----|---|
| | compared with the same period of the previous year |
| 5. | The increase in the return on equity is mainly due to the increase in the net income after tax of the current period compared with the same period of the previous year |
| 6. | The increase in the ratio of the net income before tax to the paid-in capital is mainly due to the increase in the net income before tax in the current period compared with the same period of the previous year |
| 7. | The increase in the net profit margin is mainly due to the increase in the net income after tax of the current period compared with the same period of the previous year |
| 8. | The increase in earnings per share was mainly due to the increase in net income after tax in the current period compared with the same period of the previous year |
| 9. | The increase in the cash flow ratio is mainly due to the increase in net cash flow from operating activities in the current period compared with the same period of the previous year |
| 10. | The increase in the cash reinvestment ratio is mainly due to the increase in the net cash flow from operating activities in the current period compared with the same period last year |

Note: The financial information for each year and up to March 31, 2023 has been verified, certified or reviewed by the CPAs.

2. Financial analysis of parent only reports in the last five years - IFRS

Analysis items \ Year		Financial analysis of the last five years (Note)				
		2022	2021	2020	2019	2018
Financial structure	Ratio of liabilities to assets (%)	26.20	27.08	29.18	31.95	25.97
	Ratio of long-term capital to property, plant and equipment (%)	1,086.87	963.88	722.98	669.43	617.50
Debt service ability	Current ratio (%)	306.96	315.40	325.81	287.37	359.75
	Quick Ratio (%)	129.55	153.78	162.72	153.16	178.56
	Interest coverage ratio (%)	610.48	2,617.04	1,232.40	768.97	0
Operating capacity	Receivables turnover rate (times)	30.25	21.74	18.33	27.02	20.49
	Average cash received days	12	17	20	14	18
	Inventory turnover rate (times)	2.19	2.46	2.77	2.89	2.96
	Payable turnover rate (times)	13.02	15.19	12.84	11.51	11.92
	Average sales days	167	149	132	126	123
	Property, plant and equipment turnover rate (times)	12.19	12.73	13.41	12.62	10.48
	Total asset turnover rate (times)	0.83	0.96	1.31	1.28	1.26
Profitability	Return on assets (%)	7.39	24.64	14.49	13.60	9.42
	Return on equity (%)	10.06	34.21	20.84	19.19	12.78
	Percentage of net income before tax to paid-in capital (%)	49.75	135.52	70.08	60.46	37.87
	Net income ratio (%)	8.43	22.73	10.86	9.86	7.61
	Earnings per share (NT\$)	3.89	10.87	5.51	4.74	3.10
Cash flow	Cash flow ratio (%)	13.54	57.10	24.28	56.63	26.54
	Cash flow adequacy ratio (%)	57.54	65.40	78.95	89.25	83.32
	Cash reinvestment ratio (%)	(8.20)	4.13	(6.65)	11.08	(8.92)
Leverage	Operating leverage	2.18	1.94	1.81	1.86	1.08
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Reasons for changes in various financial ratios of more than 20% in the last two years (if the increase or decrease is less than 20%, analysis may be exempted)						
The analysis of changes is the same as 1. consolidated financial analysis - IFRS						

Note: The financial information of each year is checked and certified by the CPAs

The calculation formula for financial analysis is as follows

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Long-term capital to fixed assets ratio = (net shareholders' equity + long-term liabilities) / net fixed assets.
2. Debt service ability
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.
 - (3) Times interest earned ratio = Earnings before interest and taxes/Interest expenses.
3. Operating capacity
 - (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities).
 - (2) Average days for cash receipts = 365/Accounts receivable turnover.
 - (3) Inventory turnover rate = Cost of sales/Average inventory.
 - (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and bills payable from business activities).
 - (5) Average days for sale of goods = 365/Inventory turnover.
 - (6) Fixed asset turnover = net sales/average net fixed assets.
 - (7) Total asset turnover rate = Net sales/Average total assets.
4. Profitability
 - (1) Asset return ratio = [Profit or loss after tax + Interest expenses \times (1 - Tax rate)]/Average total assets.
 - (2) Return on shareholders' equity = profit or loss after tax/average net shareholders' equity.
 - (3) Net profit ratio = Profit or loss after tax/Net sales.
 - (4) Earnings per share = (net profit after tax - preferred dividend)/weighted average number of issued shares.
5. Cash flow
 - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
 - (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend)/(gross fixed assets + long-term investments + other assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating profit.
 - (2) Financial leverage = Operating income/(Operating income - Interest expenses).

III. Audit Committee review report of the most recent annual financial report

Mildef Crete Inc. Audit Committee Review Report

The board of directors prepared the company's 2022 annual operation report, independent and consolidated financial statements, and earnings distribution proposal, among which the independent and consolidated financial statements were audited by CPA Wei- Ming Shi and CPA Mei-Yan Chen of KPMG and issued an audit report. The above-mentioned operation report, independent and consolidated financial statements, and earnings distribution proposal are not inconsistent after examination by this audit committee. To the board of that, a report shall be prepared under Article 14-4 of the securities and exchange law and Article 219 of the Company Law if there is no discrepancy.

Sincerely

2023 ordinary meeting of shareholders of the Mildef Crete Inc.

Auditor	Jun- Ming Wang
	Xiao- Long Feng
	Yong- Cheng Chen

March 23, 2023

- IV. Recent Annual Financial Report: See Annual Report page 161-220.
- V. The most recent annual accountant verification company individual financial report: please refer to pages 221-284 of the annual report.
- VI. The Company and its affiliated enterprises have experienced difficulties in financial turnover in the most recent year and up to the printing date of the annual report: none.

Chapter 7. Review and analysis of financial position and financial performance and risk matters

I. Financial position

(I) Comparative analysis of financial position

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	1,889,117	1,859,023	30,094	1.62
Long-term investments	-	-	-	-
Fixed assets	242,500	242,238	262	0.11
Intangible assets	9,417	7,765	1,652	21.27
Other assets	1,174,628	849,143	325,485	38.33
Total assets	3,315,662	2,958,169	357,493	12.08
Current liabilities	621,790	594,777	27,013	4.54
Long-term liabilities	-	-	-	-
Other liabilities	264,804	223,202	41,602	18.64
Total liabilities	886,594	817,979	68,615	8.39
Share capital	586,855	586,855	-	-
Capital surplus	72,650	72,650	-	-
Retained earnings	1,372,791	1,361,658	11,133	0.82
Other Equity	380,825	105,054	275,771	262.50
Total shareholders' equity	2,429,068	2,140,190	288,878	13.50
Explanatory analysis of changes in the proportion of increase or decrease (if the change in the previous and subsequent periods is more than 20% and the amount of the change reaches NT\$10million):				
1. Increase in other assets as a result of non-current financial assets measured at fair value through other comprehensive gains and losses for the current period based on market appraisal				
2. The increase in other equity is mainly due to the increase in the amount of non-current valuation of financial assets at fair value through other comprehensive income - compared with the same period of last year				

(II) Effect of significant changes in financial position in the last two years and future response plan

To sum up, the changes in the financial position of the Company in the last two years are benign changes.

II. Financial performance

(I) Main reasons for significant changes in operating income, net operating income and net income before tax in the last two years

Unit: NT\$1,000

Item \ Year	2022	2021	Increase or decrease amount	Percentage change (%)
Net operating revenue	2,708,366	2,807,705	(99,339)	(3.54)
Operating cost	2,150,191	2,192,100	(41,909)	(1.91)
Gross operating profit	558,175	615,605	(57,430)	(9.33)
Gross profit realized (unrealized) from sales of goods among affiliated companies	-	(4,488)	4,488	100.00
Realized gross operating profit	558,175	620,093	(61,918)	(9.99)
Operating expenses	292,353	295,545	(3,192)	(1.08)
Operation interests	265,822	324,548	(58,726)	(18.09)
Non-operating income and expense	39,663	484,629	(444,966)	(91.82)
Net profit before tax from continuing operations	305,485	809,177	(503,692)	(62.25)
Income tax expense (gain)	70,105	164,802	(94,697)	(57.46)
Net profit after tax from continuing operations	235,380	644,375	(408,995)	(63.47)
<p>The analysis of the proportion of increase or decrease of more than 20% is as follows:</p> <ol style="list-style-type: none"> 1. The decrease in gross profit of goods sold between affiliated companies has been (not) due to no associated companies for this period. 2. The increase in non-operating income and expenses was mainly due to the disposal of part of the equity of long-term investments in the current period and the disposal gain was recognized based on their market value. 3. The increase in the net profit before tax of the continuing operations was mainly due to the increase in non-operating income in the current period compared with the same period of the previous year. 4. The increase in income tax expense was due to the increase in the net profit before tax of the continuing operations in the current period compared with the same period last year. 5. The increase in the net profit after tax of the continuing operations was mainly due to the increase in the net profit before tax of the continuing operations in the current period compared with the same period last year. 				

(II) Expected sales volume and its basis, possible impact on the Company's future financial and business, and response plan:

The Company has no public financial forecasts and sets internal targets solely on the basis of the industry environment and market supply and demand conditions and the Company's operating conditions. The Company will continue to invest more resources in technological innovation, quality improvement and reduction of manufacturing costs to achieve profitability goals.

III. Cash flow

(I) Analysis of cash flow changes in the last two years

Item \ Year	2022	2021	Percentage increase (decrease) %
Cash flow ratio	18.14	61.08	(70.30)
Cash flow adequacy ratio	63.58	69.80	(8.91)
Cash reinvestment ratio	(6.21)	5.98	(203.85)
Analysis explanation of increase or decrease in the proportion of change of more than 20%			
This is due to the decrease in net cash inflow from operating activities in 2022.			

(II) Improvement plan for insufficient liquidity: the Company did not suffer from insufficient liquidity.

(III) Analysis of cash liquidity in the next year

Unit: NT\$1,000

Cash balance at the beginning of the period	Net cash flow from operating activities throughout the year	Annual cash outflows	Amount of cash remaining (shortfall)	Remedial measures for cash shortfall	
				Investment plan	Financing plan
488,751	100,000	200,000	388,751	0	0

1. Analysis of changes in cash flows in the next year:

- (1) Net cash flow from operating activities throughout the year: mainly due to net operating profit.
- (2) Annual cash outflows: mainly related to investment activities and financing activities, estimated cash outflows are as follows:

Investment activities: mainly related to the acquisition of fixed assets.

Financing activities: mainly related to the distribution of cash dividends

2. Remedial measures for expected insufficient cash: not applicable.

IV. Effect of significant capital expenditure on financial business in the most recent year

(I) Application and source of funds of major capital expenditure:

The capital expenditure of the consolidated company in 2022 was approximately NT\$13,343 thousand, which was mainly used for the purchase of additional machinery and equipment; the sources of funds were own funds.

(II) Expected benefits:

The aforementioned significant capital expenditure is required for future development, helping to increase capacity, reduce unit production costs and increase revenue.

V. Reinvestment in recent years

(I) Reinvestment policy

The Company's reinvestment policy is to establish complete marketing channels and provide fast after-sales services through investment, alliances with distributors who are familiar with the local industry environment or have strong sales service capabilities, in order to meet the unique needs of each regional market to develop potential new customers and increase market share.

(II) Analysis of gain or loss on reinvestment and improvement plan

Analysis of gain or loss on reinvestment

Unit: NT\$1,000

Item \ Year	2022		
Invested company	Shareholding ratio (%)	Gain (loss) of invested company in the current period	Recognized gain (loss) on investment in the current period
Flexbasis Technology (Note 2)	65.30	21,886	13,382

Note: Has been written off in the consolidated financial report.

(III) Investment plan for the next year:

To establish complete marketing access and provide fast after-sales service to meet the unique needs of each regional market; to develop potential new customers and increase market share, and plant to establish a closer relationship with existing distributors.

VI. Analysis and evaluation of risk matters in the most recent year and up to the printing date of the annual report

Evaluate the following matters in the most recent year and up to the printing date of the annual report

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

◆ Effect upon the Company's profits (losses) of interest rate and exchange rate fluctuations and changes in the inflation rate

Unit: NT\$1,000

Analysis items	2022			As of March 31, 2023		
	Interest income	Interest expense	Gain (loss) on exchange Net amount	Interest income	Interest expense	Net gain (loss) on exchange
Interest income/interest expense/net exchange gains	8,912	828	13,155	1,889	192	(1,254)
Percentage of net operating revenue (%)	0.33	0.03	0.49	0.30	0.03	(0.20)
Percentage of operating profit (%)	3.35	0.31	4.95	3.10	0.31	(2.06)
Percentage of net income before tax (%)	2.92	0.27	4.31	3.06	0.31	2.03

Due to the low ratios, the impact of interest rates, exchange rate movements and inflation on the Company's revenue and profits is not significant.

◆ Specific measures taken by the Company in response to changes in interest rates, exchange rates and inflation

★ Changes in interest rates

◎ From the table above, the company operates with its own funds, the external borrowing amount is not significant, and the Company's financial assets are affected by interest rate changes is not significant, so the Company's management believes that interest rate changes have no significant impact on the Company's short-term profit and loss.

◎ In terms of assets, other than investing primarily in highly liquid short-term fixed income bonds and deposit bank time deposits to protect the principal and reduce risk, which is not affected by interest rate changes, and early payment of vendor's goods to receive interest income.

★ Changes in exchange rates

The Company is exposed to exchange rate risk from sales and purchase transactions that are not denominated in the functional currency of the Company (NTD). The currency in which these transactions are denominated is US Dollars. However, since the net position of the Company's foreign currency assets and liabilities is usually not significant, the management of the Company, in addition to continuously controlling the Company's net foreign currency exposure position at an acceptable level, also believes that the Company's exchange rate risk is not significant.

The response measures taken by the Company are:

◎ Through export and import goods, the offset of foreign currency claims and debts can produce a natural hedging effect, thus reducing the exchange risk.

◎ There are "procedures for dealing with derivatives transactions" as the management basis for engaging in foreign exchange financial operations.

◎ Collect relevant information about exchange rate changes every day and fully grasp the trend of exchange rate. In case of large changes, in addition to the processing, and appropriately retain the original currency received for export to reduce exchange risk.

★ ★ Inflation

◎ The Company's main export markets are Europe and North America. the Company does not believe that inflation in the Republic of China, Europe and North America has a significant impact on the Company's operating results in 2021. However, the Company cannot guarantee that future inflation will not have a material adverse impact on the Company's operating results.

◎ The Company will continue to focus on various cost reduction measures, which is a consistent policy and will not be changed due to the external environment of inflation or deflation.

- (II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main

reasons for the profits/losses generated thereby; and response measures to be taken in the future

- ◆ High risk and highly leveraged investments, fund loans to others, endorsements and guarantees, and derivatives transactions in the most recent year:

In order to ensure the safety of assets, the Company is not engaged in high-risk and highly leveraged investment. If there are idle funds, the Company will adopt a more stable fixed deposit or principal guaranteed bond fund, so the Company will not incur losses.

- ◆ Specific response measures of the Company


◎ The Company has established the operating procedures for lending funds to others, the measures for external endorsements and guarantees, and the procedures for dealing with derivatives transactions as the management basis for various operations.


◎ Capital Management-

Based on the characteristics of the current operating industry and the development of the Company in the future, and considering the changes of the external environment and other factors, the Company plans the working capital, research and development expenses and dividend expenses required by the Company in the future, so as to ensure that the Company can continue to operate, give back to shareholders and take into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholder value in the long run.

(III) Future R&D plans and expected R&D expenses

- ◆ Future R&D plan:

Product	Functions and characteristics
<p>DF10 (Handheld computer for military and industrial use)</p> 	<ol style="list-style-type: none"> 1. It adopts ARM processor, energy saving and power saving design, and has high battery life 2. Android 10 operating system 3. 5.7" LCD touchscreen with magnetic stylus for legible light 4. 3GB LPDDR4 RAM/ 128GB eMMC, Micro SD memory card is also supported 5. Comprehensive online capability, supporting BT, WLAN and GNSS. 6. USB2.0 OTG supports data transfer and 3A fast charging port 7. Dual lens design, front lens 5 million pixels, rear lens 13 million pixels 8. Long-life hot-swappable lithium-ion battery, long life power, easy removal, and can operate the module at low temperatures up to -20°C 9. It adopts the industrial standard connector to provide reliable data transmission function, which can be used in various extreme weather environments 10. CNC unibody aluminum chassis enhances overall impact resistance

Product	Functions and characteristics
	<ol style="list-style-type: none"> 11. Military certified MIL-STD-810H, MIL-STD-461G and IP67 12. Integrate customer needs and provide flexible customized services
RK15 (Computer for military and industrial use) 	<ol style="list-style-type: none"> 1. Intel Xeon® W-11865mle processor, energy saving design, with high battery life 2. 15 "LCD is adopted, and the brightness can be adjusted according to the needs of the operating environment 3. It can support ECC/non ECC DDR4 memory with a maximum capacity of 64GB 4. High capacity storage space, can support two groups of M.2 PCIe SSD, and support RAID 0, 1. 5. Comprehensive connectivity with BT, WLAN, GNSS. 6. Support two groups of 2.5G high-speed transmission Ethernet networks 7. Support USB 3.1 Gen.2 and USB 2.0 8. Newly designed 83-key backlit and sturdy keyboard, enhance percussion experience. 9. Multiple indicator design provides easy reading and execution functions. 10. Flex Bay provides the best expansion flexibility and customized applications. 11. Active thermal module improves processor performance. 12. Supports various video ports: VGA, DP++, DVI. 13. Structural design of magnesium aluminum alloy casing and patented cabin waterproof casing. 14. Waterproof, dustproof, shockproof and fall proof characteristics, and the module can be operated at low temperature, with a minimum of -30°C. 15. Military certified MIL-STD-810H and MIL-STD-461G

- ◆ Expected R&D expenses: The estimated R&D expenses are estimated to be 3% of the annual net revenue, including testing costs, layout and software costs related to product military regulations.

(IV) The impact of important policy and legal changes at home and abroad on the Company's financial business and countermeasures:

Significant changes in domestic and foreign policies and laws in recent years have not had a significant impact on the current operation of the Company. The Company's management team has also been paying close attention to any domestic and foreign policies and laws that may affect the Company's financial business, with a view to formulating relevant risk management procedures in the most expeditious case, so as to improve the operation ability.

- (V) The impact of technological changes (including information and communication security risks) and industrial changes on the Company's financial business and countermeasures:

The Company has a marketing department to collect the latest industry news and market information, and the information room to maintain the security risks, plus the Company has a strong management team and experienced and quality professionals, in the market development, customer mastery, marketing management, and even the industry scene. With experience in the resilience of gas changes, the Company can be sensitive to market pulse, customer demand, technology development and industry supply and demand. With the role of professional suppliers and marketers, we actively integrate and introduce advanced products and technologies, real-time and stable supply and application technology. Support services; and because we operate a small number of customized ruggedized notebooks, overall technology changes (including security risks) and industry changes have no significant impact on the Company's finance business.

- (VI) The impact of corporate image change on corporate crisis management and countermeasures:

Corporate image is the intangible asset of the Company, which depends on the accumulated efforts of enterprise leaders and their management team for many years. Since the establishment of the Company, the Company's corporate image has always taken integrity and stability as the goal, and the business philosophy of decent operation and safeguarding the maximum rights and interests of shareholders. In addition to vigorously developing high-quality products and purchasing high-quality raw materials, we also comply with various laws and regulations to maintain the Company's corporate image.

In addition, the Company has various dedicated departments to unify the Company's strength, and strive to improve the good corporate image, and make various preparations, so as to prevent and control potential crisis.

- (VII) Expected benefits, possible risks and countermeasures of M&A: the Company has no M&A plan.

- (VIII) Expected benefits, possible risks and countermeasures for plant expansion: the Company does not have plans to expand the plant.

- (IX) Risks arising from concentration of purchase or sales and countermeasures:

- ◆ Purchase: the Company shall purchase raw materials from different suppliers as far as possible to ensure that the supply of raw materials is sufficient without the risk of shortage, and reduce the risk of concentrated purchase. At the same time, the Company also prevents supply crisis by monitoring inventory status. In order to reduce the potential risk of price rise, the Company also continues to find other purchase methods to reduce the risk of concentrated procurement
- ◆ Sales: if the proportion of a few customers in the overall revenue is too high, the unexpected business reduction of major customers may affect the Company's operating performance. Therefore, the Company takes the customer partnership as the core strategy and works closely with customers to improve the overall value, hoping to minimize the possibility of such risks.

- (X) The impact, risks and countermeasures of a large number of equity transfers or changes by Directors, supervisors or major shareholders holding more than 10% of the shares on the Company:
- ◆ The impact and risk of a large number of equity transfers or changes by Directors, supervisors or major shareholders holding more than 10% on the Company: there is no such case in the Company at present.
 - ◆ Response measures: in addition to having Independent Directors, the Company has continuously strengthened corporate governance to establish a more open and transparent business constitution, in order to minimize the impact of such risks on the Company.
- (XI) The impact, risks and countermeasures of the change of management right on the Company: the Company has not changed its management right since its establishment.
- (XII) Litigation or non-litigation events
- ◆ In the last two years and up to the date of printing of the annual report, the litigation, non-litigation or administrative litigation events that have been adjudicated or are still in progress, and the results may have a significant impact on shareholders' equity or securities prices: none.
 - ◆ Directors, supervisors, general managers, major shareholders with a shareholding ratio of more than 10% and affiliated companies of the Company have been adjudicated or are still in litigation, non-litigation or administrative litigation events in the last two years and up to the date of publication of the annual report, and the results may have a significant impact on the rights and interests of shareholders or securities prices of the Company: none.
 - ◆ Directors, supervisors, managers and major shareholders holding more than 10% of the Company's shares, and any of the events specified in Article 157 of the Securities and Exchange Act occurred in the most recent two years and up to the date of printing of the annual report: none.
- (XIII) Other important risks and countermeasures:
1. Although the Company does not have a clear risk management organization, according to the daily operation of the Company, the risk control is divided into three levels (mechanism): the organizer or the contractor is the first mechanism to take the initial risk discovery, evaluation and control of the operation to consider the design and prevention responsibility. The second mechanism is the meetings presided over by general manager and deputy general manager, or inter-departmental meetings. In addition to the feasibility assessment, it also includes assessment of various risks. The third mechanism is the review of the Audit Office and the deliberation of the Directors.
 2. At present, the Company does not have a Chief Risk Officer. Its purpose is to adopt comprehensive risk control, rather than one-person control, to implement risk control. Important risk assessment matters, when necessary, the Personnel Department (and legal) will conduct risk discovery, assessment and prevention

recommendations. If there is an immediate possible risk, you can also report the superior to be properly prevented immediately. Extremely important matters shall be submitted to the Board of Directors for discussion.

3. The risk controls are shown in the following table:

Important risk assessment items	First mechanism Direct risk control unit	Second mechanism Risk review and control	Third mechanism Board of Directors and Audit Office
1. Interest rate, exchange rate and financial risk	Finance Department	General manager and deputy general manager	Board of Directors: decision making and final control of risk assessment and control Audit Office: risk inspection, evaluation, supervision, improvement tracking and reporting
2. High risk and highly leveraged investment, loan to others, derivatives trading, financial investment	Finance Department	General manager and deputy general manager	
3. R&D plan	R&D Division	New product plan review meeting	
4. Policy and legal changes	HR Department and Finance Department	General manager and deputy general manager	
5. Technology and industrial change	Business Division and R&D Division	General manager and deputy general manager	
6. Corporate image change	Business Division	General manager and deputy general manager	
7. Investment, reinvestment and M&A benefits	Finance Department	General manager and deputy general manager	
8. Expansion of plant or production	Purchasing Department and Finance Department	General manager and deputy general manager	
9. Concentrated purchase or sales	Purchasing Department and Business Division	Production and sales conference	
10. Equity transfer by Directors and major shareholders	Finance Department, Board of Directors	General manager and deputy general manager	
11. Change of management right	Finance Department, Board of Directors	General manager and deputy general manager	
12. Litigation and non-litigation matters	HR Department	General manager and deputy general manager	
13. Other operational matters	Head of each unit	General manager and deputy general manager	
14. Personnel conduct, morality and ethics	Head of each unit	General manager and deputy general manager	
15. Compliance with SOP and regulations	Head of each unit	HR Department and Audit Office	
16. Management of board meetings	Finance Department	Audit Office	

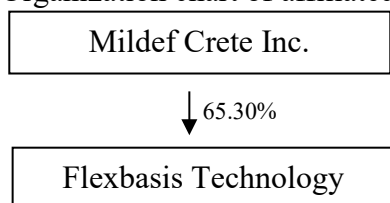
VII. Other important matters

Chapter 8. Special records

I. Data of related enterprises

Overview of affiliated enterprises: as of December 31, 2022

(I) Organization chart of affiliated enterprises:



(II) Basic information of affiliated enterprises:

Enterprise name	Date of establishment	Address	Paid in capital	Main business items
Flexbasis Technology	January 9, 2017	No. 60, section 3, Fuxing Road, Xinzhuang District, New Taipei City	NT\$37 million	Other metal products manufacturing

(III) Businesses of affiliated enterprises and their interrelationships: not applicable.

(IV) Directors, supervisors and general managers of affiliated enterprises:

Enterprise name	Title	Name	Number of shares held (shares)	Shareholding ratio (%)
Flexbasis Technology	Chairman	Yong-Xiang Zhou	0	0
	Director	Mildef Crete Inc. Representative: Yi-Tong Shen	2,416,000	65.30
			0	0
	Director	Wei Liang	296,000	8.00
	Director	Jia-Hong Lu	100,000	2.70
	Supervisor	Quan-Xiong Li	233,000	6.30

(V) Operational overview of affiliated companies:

December 31, 2022 / NT\$1,000

Enterprise name	Total assets	Total liabilities	Total equity	Operating revenue	Current net profit
Flexbasis Technology	98,430	18,379	80,051	66,943	21,886

(VI) Consolidated Business Report and Consolidated Financial Statements of Affiliated Companies: Please refer to page 139 of this Annual Report

(VII) Relationship report

According to Article 369-12 of the Company Act, the Company is not a subsidiary of a public company, so it is not necessary to prepare a relationship report in accordance with the regulations.

- II. The most recent year and to the date of publication of the annual report, the date and amount of private equity securities shall disclose the date and amount of shareholders' meeting or board, the basis and rationality of the price, the method of choice of a specific person, the necessary reason for handling private placement, private placement object, qualification conditions, subscription quantity, relationship with the Company, Operating conditions of participating companies, actual subscription (or conversion) price, actual subscription (or conversion) price and reference price difference, effect of private placement on shareholders' equity, from stock or price to completion of fund use plan, use of funds in private equity securities Plan execution progress and plan benefits: None.
- III. In the most recent year and up to the printing date of the annual report, the subsidiaries held or disposed of shares of the Company: no such circumstance.
- IV. In the most recent year and up to the date of printing of the annual report, whether the Company has any events that have a significant impact on shareholders' equity or securities prices as specified in subparagraph 2, paragraph 3, Article 36 of the Securities and Exchange Act: none.
- V. Other necessary additional clarifications

(I) Impairment evaluation of accounts receivable

- ◆ Since domestic sales are sold directly to consumers through the stores, most of the payment is made in cash or by credit card, and there is no collection problem, so there is no risk of impairment in the evaluation.
- ◆ For the first transaction of export customers, the payment for goods shall be collected in advance to reduce the risk.

Customers with long-term dealing are given different payment terms according to their individual conditions. Quarterly evaluate whether there is objective evidence of impairment according to the credit conditions and current balance of each account, so as to strictly control the accounts receivable of the Company.

(II) Provision policy for idle inventory and loss on valuation

In addition to 100% sluggish loss for all inventory placed in scrap and sluggish warehouse, the remaining normal stock depends on the age of warehouses, amounts and industrial characteristics, and the sluggish loss is assessed monthly according to the table below.

Inventory items	Merchandise	Raw materials, semi-finished products and finished products	Work in process
Less than 6 months	-	-	-
6 months ~ 1 year	50%	-	-
More than 1 year	100%	-	
9 months ~ 1 year		5%	
1 ~ 1.5 years		15%	

Inventory items	Merchandise	Raw materials, semi-finished products and finished products	Work in process
1.5 ~ 2 years		20%	
2 years ~ 2.5 years		40%	
More than 2.5 years		100%	
0.5 year ~ 9 months			60%
9 months ~ 1 year			80%
More than 1 year			100%
EOL procurement		No provision within 3 years, and an increase of 20% per year for more than 3 years	

(III) Property, plant and equipment

1. Recognition and measurement

The recognition and measurement of property, plant and equipment adopts the cost method and is measured by the amount after deducting the accumulated depreciation and accumulated impairment from the cost. Cost includes the directly attributable cost of making the asset available for its intended use.

The gain or loss from disposal of property, plant and equipment is determined by the difference between the book amount of property, plant and equipment and the disposal price, and is recognized as "other gains and losses" under profit or loss.

2. Subsequent cost

If the future economic benefits expected from the subsequent expense of property, plant and equipment items are likely to flow into the Company and the amount can be reliably measured, the expense is recognized as part of the book amount of the item, and the book amount of the replaced part is excluded. The cost of routine maintenance of property, plant and equipment is recognized as profit or loss when incurred.

3. Depreciation

Depreciation is calculated by the straight-line method based on the estimated useful life after deducting the residual value from the asset cost, and evaluated according to the different major components of the asset. If the useful life of a component is different from that of other parts of the asset, the component shall be depreciated separately. Depreciation is recognized as profit or loss.

The estimated useful lives of other assets in the current period and the comparative period are as follows, except that depreciation is not required for land:

- (1) Housing and construction: 40 years.
- (2) Machinery and equipment: 5 ~ 8 years.
- (3) Transportation equipment: 5 years.
- (4) Office equipment: 5 years.
- (5) Other equipment: 3 ~ 5 years.

The depreciation method, useful life and residual value are reviewed at the end of each financial year, and the impact of any estimated change is deferred.

(IV) The Company does not adopt hedge accounting.

(V) Uncompleted TPEX-listing commitments: none.

Certified Public Accountant's Audit Report

To the Board of Directors of Mildef Crete Inc.

Opinion

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

In our opinion, the aforementioned consolidated financial statements have been prepared in all material aspects according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission. They fairly present financial position of Mildef Crete Inc. and its subsidiaries as of December 31, 2022 and 2021, and the 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 the Consolidated Financial Statements section of our report. We are independent of Mildef Crete Inc. and its subsidiaries 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 a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Mildef Crete Inc. and its subsidiaries for the year 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 (8) to the consolidated financial statements; for details on estimation and hypothesis uncertainty of inventory valuation, refer to Note 5 to the consolidated financial statements; concerning provision for Write-downs of inventories and obsolescence losses, refer to Note 6 (4) to the consolidated 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. and its subsidiaries are engaged in manufacturing and selling rugged computers. Generally, life cycle of rugged computers is long. In consideration of businesses, inventories shall be maintained for certain key components 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 important matters for evaluation in our audit of financial statements of Mildef Crete Inc. and its subsidiaries.

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 its subsidiaries and analyzing changes in inventory age in different phases; randomly checking correctness of the inventory aging reports; performing inventory valuation and confirming implementation of existing accounting policies by Mildef Crete Inc. and its subsidiaries; and evaluating appropriateness of the past loss allowance for obsolete and slow-moving inventories by the management.

Other Matters

Mildef Crete Inc. has prepared the parent company only financial statements for 2022 and 2021, and we have issued an auditors' report with unqualified opinions for reference.

Responsibilities of Management and Governing Body for the Consolidated Financial Statements

Management is responsible for preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the abilities of Mildef Crete Inc. and its subsidiaries 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. and its subsidiaries or to cease their operations or has no realistic alternative but to do so.

The governing body of Mildef Crete Inc. and its subsidiaries including the audit committee, are responsible for overseeing the financial reporting processes.

Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

guarantee that an audit conducted in accordance with the general accepted auditing standards will always detect a material misstatement when it exists. 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misstatement, or override of internal control.
2. Obtain necessary understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Mildef Crete Inc. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Mildef Crete Inc. and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention of the users in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Mildef Crete Inc. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain responsible for our audit opinion.

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 governing body, we determine those key matters in the audit of the consolidated financial statements of Mildef Crete Inc. and its subsidiaries for the 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

Mildef Crete Inc. and Its Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Unit: NT\$ thousand

Assets		2022.12.31		2021.12.31						2022.12.31		2021.12.31	
		Amount	%	Amount	%					Amount	%	Amount	%
Current assets:													
1100	Cash and cash equivalents (Note 6 (1))	\$ 488,751	15	500,086	17								
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	20,030	1	120,065	4	2130	Contract liabilities - current (Notes 6 (16) and 7)		\$ 246,664	7	263,911	9	
1150	Net notes and accounts receivable (Note 6 (3) and (16))	96,180	3	65,356	2	2150	Notes payable		53,211	2	24,588	1	
1180	Net amounts of accounts receivable - related parties (note 6 (3), (16) and 7)	11,683	-	6,376	-	2170	Accounts payable		149,623	5	106,155	3	
130X	Inventories (Note 6 (4))	1,041,074	31	901,160	31	2209	Payables (Note 6 (17))		106,484	3	116,163	4	
1476	Other financial assets - current (Note 6 (1))	206,100	6	246,020	8	2220	Other payables-related party (Note 7)		2,010	-	-	-	
1479	Other current assets	25,299	1	19,960	1	2230	Current income tax liabilities		38,596	1	58,919	2	
	Total current assets	1,889,117	57	1,859,023	63	2280	Lease liabilities-current (Note 6 (10))		24,808	1	22,898	1	
Non-current assets:						2399	Other current liabilities		394	-	392	-	
1517	Financial assets at fair value through other comprehensive profit or loss - non-current (Note 6 (2))	1,054,500	32	724,022	25	2322	Long-term loans due within one year (Notes 6 (9) and 8)		-	-	1,751	-	
1600	Property, plant and equipment (Notes 6 (6) and 8)	242,500	7	242,238	8		Total current liabilities		621,790	19	594,777	20	
1755	Right-of-use assets (Note 6 (7))	49,668	1	51,511	2		Non-current liabilities:						
1780	Intangible assets (Note 6 (8))	9,417	-	7,765	-	2552	Provisions for warranty liabilities		6,855	-	4,535	-	
1840	Deferred income tax assets	64,860	3	68,010	2	2570	Deferred income tax liabilities		204,124	6	137,055	5	
1990	Other non-current assets (Note 8)	5,600	-	5,600	-	2580	Lease liabilities-non-current (Note 6 (10))		25,088	1	28,629	1	
	Total non-current assets	1,426,545	43	1,099,146	37	2640	Net defined benefit liabilities—non-current		28,737	1	52,983	2	
							Total non-current liabilities		264,804	8	223,202	8	
							Total liabilities		886,594	27	817,979	28	
							Owner's equity attributable to the parent company (Note 6 (5) and (14)):						
						3110	Capital stock - ordinary shares		586,855	18	586,855	20	
						3200	Capital surplus		72,650	2	72,650	2	
						3300	Retained earnings		1,372,791	42	1,361,658	46	
						3400	Other equity		380,825	11	105,054	4	
							Owner's equity attributable to the parent company		2,413,121	73	2,126,217	72	
						36xx	Non-controlling interests		15,947	-	13,973	-	
							Total equity		2,429,068	73	2,140,190	72	
Total		\$ 3,315,662	100	2,958,169	100		Total liabilities and equity		\$ 3,315,662	100	2,958,169	100	

(For details, please refer to notes to the consolidated financial statements)
Manager: Shen Yi-tong

Chairman: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements 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 income (Notes 6 (16), 7 and 14)	\$ 2,708,366	100	2,807,705	100
5000	Operating cost (Note 6 (4), (7), (10), (12), (17), 7 and 12)	<u>2,150,191</u>	<u>79</u>	<u>2,192,100</u>	<u>78</u>
	Gross operating profit	558,175	21	615,605	22
5910	Less: Unrealized gain from sales	-	-	(4,488)	-
	Realized gross operating profit	<u>558,175</u>	<u>21</u>	<u>620,093</u>	<u>22</u>
	Operating expenses (Note 6 (7), (10), (12), (17), 7 and 12):				
6100	Selling and marketing expenses	175,312	6	182,778	6
6200	General and administrative expenses	47,245	2	47,276	2
6300	Research and development expenses	<u>69,796</u>	<u>3</u>	<u>65,491</u>	<u>2</u>
	Total operating expenses	<u>292,353</u>	<u>11</u>	<u>295,545</u>	<u>10</u>
	Net operating profit	<u>265,822</u>	<u>10</u>	<u>324,548</u>	<u>12</u>
	Non-operating income and expenses:				
7100	Interest income (Note 6 (18))	8,912	-	8,247	-
7010	Other income (Note 6 (18))	18,151	1	10,491	-
7020	Other gains and losses (Note 6 (18))	13,428	-	(5,371)	-
7060	Share of the profit (loss) of associates accounted by equity method (Note 6 (5))	-	-	(24,862)	(1)
7225	Gains on disposal of investments (Note 6 (5))	-	-	496,607	18
7510	Financial costs (Note 6 (10) and (18))	<u>(828)</u>	<u>-</u>	<u>(483)</u>	<u>-</u>
	Total non-operating income and expenses	<u>39,663</u>	<u>1</u>	<u>484,629</u>	<u>17</u>
	Net profit before tax	<u>305,485</u>	<u>11</u>	<u>809,177</u>	<u>29</u>
7951	Less: Income tax expense (Note 6 (13))	<u>70,105</u>	<u>2</u>	<u>164,802</u>	<u>6</u>
	Current net profit	<u>235,380</u>	<u>9</u>	<u>644,375</u>	<u>23</u>
8300	Other comprehensive profit or loss:				
8310	Items not reclassified as profit or loss				
8311	Remeasurement of defined benefit plans (Note 6 (12))	15,452	1	1,688	-
	Unrealized gain on investments in equity instruments at fair value through other comprehensive profit or loss				
8316	loss	330,478	12	166,995	6
8349	Less: Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6 (13))	<u>70,159</u>	<u>3</u>	<u>33,486</u>	<u>1</u>
	Total amount of items not reclassified to profit or loss	<u>275,771</u>	<u>10</u>	<u>135,197</u>	<u>5</u>
8360	Items that may be reclassified subsequently to profit or loss				
8370	Amount of other comprehensive income or loss of associates accounted by equity method (Note 6 (5))	-	-	14,798	-
8399	Less: Income tax relating to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total amount of items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>14,798</u>	<u>-</u>
8300	Other comprehensive profit or loss in current period	<u>275,771</u>	<u>10</u>	<u>149,995</u>	<u>5</u>
	Total amount of other current comprehensive profit or loss	<u>\$ 511,151</u>	<u>19</u>	<u>794,370</u>	<u>28</u>
	Net profit or loss attributable to:				
8610	Owners of parent company	\$ 228,270	9	638,192	23
8620	Non-controlling interests	<u>7,110</u>	<u>-</u>	<u>6,183</u>	<u>-</u>
		<u>\$ 235,380</u>	<u>9</u>	<u>644,375</u>	<u>23</u>
	Total comprehensive profit or loss attributable to:				
8710	Owners of parent company	\$ 504,041	19	788,187	28
8720	Non-controlling interests	<u>7,110</u>	<u>-</u>	<u>6,183</u>	<u>-</u>
		<u>\$ 511,151</u>	<u>19</u>	<u>794,370</u>	<u>28</u>
	Earnings per share (NT\$; (Note 6 (15))				
	Basic earnings per share	<u>\$ 3.89</u>		<u>10.87</u>	
	Diluted earnings per share	<u>\$ 3.83</u>		<u>10.72</u>	

(For details, please refer to the notes to the consolidated financial report for details)

Chairman: Shen Yi-tong

Manager: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements 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						
							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 attributable to owners of the parent company	Non-controlling interests	Total equity
Capital stock - ordinary shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total								
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	17,986	1,622,589
Current net profit	-	-	-	-	638,192	638,192	-	-	-	-	638,192	6,183	644,375
Other comprehensive profit or loss in current period	-	-	-	-	-	-	14,798	133,847	1,350	149,995	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	6,183	794,370
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)	-	(264,085)
Changes in capital surplus from investments in associates accounted for using the equity method	-	37,626	-	-	-	-	-	-	-	-	37,626	-	37,626
Disposal of associates by equity method	-	(37,626)	-	-	-	-	-	-	-	-	(37,626)	-	(37,626)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,827)	(5,827)
Differences between equity price paid and carrying amount of subsidiaries acquired	-	-	-	-	(2,488)	(2,488)	-	-	-	-	(2,488)	2,488	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,857)	(6,857)
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	13,973	2,140,190
Current net profit	-	-	-	-	228,270	228,270	-	-	-	-	228,270	7,110	235,380
Other comprehensive profit or loss in current period	-	-	-	-	-	-	-	263,409	12,362	275,771	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	7,110	511,151
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)	-	(217,137)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,136)	(5,136)
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	15,947	2,429,068

(For details, please refer to notes to the consolidated financial statements)

Chairman: Shen Yi-tong

Manager: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements of Cash Flows

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

Unit: NT\$ thousand

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income before tax	\$ 305,485	809,177
Adjustments for:		
Profit and loss		
Depreciation expense	49,025	47,984
Amortization expense	5,139	4,653
Net gain on financial assets at fair value through profit or loss	(225)	(357)
Interest expenses	828	483
Interest income	(8,912)	(8,247)
Dividend income	(16,338)	(8,844)
Share of loss of associates accounted for using the equity method	-	24,862
Gain on disposal of property, plant and equipment	(44)	-
Returns on Investments accounted for using the equity method	-	(496,607)
Realized gain on sales of goods	-	(4,488)
Total profit and loss	<u>29,473</u>	<u>(440,561)</u>
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	(30,824)	(42,003)
Accounts receivable - related parties	(5,307)	156,740
Inventories	(139,914)	(39,192)
Other current assets	(5,339)	(3,788)
Total net changes in assets related to operating activities	<u>(181,384)</u>	<u>71,757</u>
Net changes in liabilities related to operating activities:		
Contract liabilities	(17,247)	41,578
Notes payable	28,623	(22,342)
Accounts payable	43,468	5,315
Other payable-related parties	2,010	(900)
Provisions for warranty liabilities	2,320	(3,261)
Accrued expenses and other current liabilities	(9,677)	1,429
Net defined benefit liabilities	(8,794)	(3,148)
Total amount of net changes in liabilities related to operating activities	<u>40,703</u>	<u>18,671</u>
Total amount of net changes in assets and liabilities related to operating activities	<u>(140,681)</u>	<u>90,428</u>
Total adjustments	<u>(111,208)</u>	<u>(350,133)</u>
Net cash generated from/(used in) operations	194,277	459,044
Interest received	8,912	8,247
Income tax paid	(90,368)	(104,026)
Net cash inflow from operating activities	<u>112,821</u>	<u>363,265</u>
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	(18,144)	(13,343)
Disposal of property, plant and equipment	152	-
Increase in other non-current assets	-	(195)
Acquisition of intangible assets	(6,791)	(8,304)
Decrease in other financial assets- -current	39,920	9,000
Dividends received	16,338	26,451
Net cash inflow from investing activities	<u>131,735</u>	<u>91,121</u>
Cash flows from financing activities:		
Repayments of long-term loans	(1,751)	(2,101)
Payment of the principal portion of lease liabilities	(31,039)	(30,090)
Payments of cash dividends	(217,137)	(264,085)
Cash dividends paid to non-controlling interests	(5,136)	(5,827)
Non-controlling interests gained from subsidiaries	-	(6,857)
Interests paid	(828)	(483)
Net cash outflow of financing activities	<u>(255,891)</u>	<u>(309,443)</u>
Increase (decrease) in cash and cash equivalents in this period	<u>(11,335)</u>	<u>144,943</u>
Opening balance of cash and cash equivalents	<u>500,086</u>	<u>355,143</u>
Closing balance of cash and cash equivalents	<u><u>\$ 488,751</u></u>	<u><u>500,086</u></u>

(For details, please refer to notes to the consolidated financial statements)

Chairman: Shen Yi-tong

Manager: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc. and Its Subsidiaries
Notes to the Consolidated 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 and its subsidiaries (hereinafter collectively referred to as the "Consolidated Company") are mainly engaged in the research, design, planning, manufacture, sale and import and export trade of various computer software/hardware and its components, manufacturing and installation of related computer software/ hardware combinations, consulting services, and investment in related businesses.

II. Date and Procedure for Approval of Financial Statements

This consolidated 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 Consolidated Company adopted the following newly revised International Financial Reporting Standards (IFRS) effective from January 1, 2022, with no material impact on the consolidated 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 application of the following newly amended IFRS effective on January 1, 2023 will not have significant influence on the consolidated financial statements.

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

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

The standards and interpretations that have been issued and amended by the International Accounting Standards Board (IASB) but have not yet been endorsed by the FSC, which may be relevant to the Consolidated Company are 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 Consolidated Company is currently evaluating the impacts of the above standards and interpretations on its financial position and operating results and will disclose relevant impacts when completing the evaluation.

The Consolidated Company does not expect that the new and amended standards below not yet endorsed by the FSC will have a material impact on the consolidated 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”
- Amendment 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 consolidated financial report is as follows. The following accounting policies have been consistently applied to all periods of presentation of the consolidated financial statements.

(I) Statement of compliance

These consolidated financial statements are prepared in accordance with the Standards for the Preparation of Financial Statements by Securities Issuers (hereinafter

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

referred to a “Preparation Standards”) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation and Interpretation Announcement, as approved and recognized by the FSC.

(II) Basis of preparation

1. Basis of measurement

Except for the following significant items in the balance sheet, this consolidated financial report is 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

Each entity of the Consolidated Company uses the currency of its primary economic environment in which it operates as its functional currency. This consolidated financial report is presented in the Company's functional currency NT\$. Unless otherwise indicated, all financial information presented in NT\$ is presented in NT\$ thousand.

(III) Basis of Consolidation

1. Principles for the Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared by the Company and entities controlled by the Company (i.e. subsidiaries). The Company controls an investee when it is exposed to, or has rights to variable returns from its participation in the investee, and has the ability to affect such returns through its rights in the investee.

From the date on which control of the subsidiary is acquired, the financial report of the subsidiary is included in the consolidated financial report until the date of loss of control. Transactions, balances and any unrealised gains and losses between Consolidated Companies, have all been eliminated at the time of preparation of the consolidated financial statements. The total comprehensive profit or loss of the subsidiary is attributable to the owners of the Company and non-controlling interests, respectively, even if the non-controlling interests are thus deficit balance.

The subsidiary's Financial Statements have been appropriately adjusted to align its accounting policies with those used by the Consolidated Company.

Changes in the Consolidated Company's ownership interests in subsidiaries that do not result in the loss of control over subsidiaries are treated as equity

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

transactions with owners. The difference between the adjustment of the non-controlling interest and the fair value of the consideration paid or received is directly recognized as equity and directly recognized in equity and attributable to the owners of the Company.

2. List of Subsidiaries in the Consolidated Financial Statements

Name of investor	Name of subsidiary	Nature of business	% of ownership	
			2022.12.31	2021.12.31
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	65.3%	65.3%

3. Subsidiaries not included in the consolidated financial statements: None.

(IV) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are converted into functional currencies at the exchange rates of the trading day. On the closing date of each subsequent reporting period (hereinafter referred to as the “Reporting Date”), foreign currency monetary items shall be converted into functional currency at the exchange rate of that day. 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 converted into the currency of the consolidated financial statements at the exchange rate of the reporting date. Profit and loss items are converted into the presentation currency of the consolidated financial statements based on the average exchange rate for the period, and the exchange differences arising therefrom shall be 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 includes investments in associates of foreign operating institutions, the relevant accumulated exchange difference shall be classified proportionally into profit and loss.

(V) Criteria for Classification of Assets and Liabilities as Current and Non-current

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

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. Those expected to be realized or intended to be sold or consumed during the normal operating cycle of the Consolidated Company.
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 subject 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. Those expected to be liquidated in the normal operating cycle of the Consolidated Company.
2. Held primarily for trading purposes.
3. Those repayment due in 12 months after the reporting period.
4. The Consolidated Company cannot unconditionally extend the repayment period for the liabilities which are more than 12 months after the reporting period.

(VI) 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.

(VII) Financial Instruments

Accounts receivable are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the terms of 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 do not include a significant financial component are initially measured at the transaction price.

1. Financial assets

Financial assets at the time of initial recognition are classified as: financial assets at amortized 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 Consolidated Company reclassifies all affected financial assets from the first day of the next reporting

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

period only when the business model of the managed financial assets is changed.

(1) Financial assets at amortisation cost

Financial assets are measured at amortisation 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

Upon initial recognition, the Consolidated Company may make an irrevocable choice to report the subsequent changes in fair value of the 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 a partial recovery of Cost of an investment) 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 on the date on which the Consolidated Company is entitled to receive the dividend (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 Consolidated Company may irrevocably designate financial assets that meet the conditions for measurement at amortised cost or at fair value through other comprehensive profit or loss as financial assets measured at fair value through profit or loss, in order to eliminate or significantly reduce accounting mismatches.

These assets are subsequently measured at fair value and their net profit

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

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.

In valuating whether the contractual cash flow is exclusively for the payment of principal and interest on the outstanding principal amount, the Consolidated Company shall consider the contractual terms of the financial instrument, including the valuation of whether the financial asset contains a contractual term that changes the timing or the amount of the contractual cash flow, resulting in its inability to meet this condition. At the time of valuation, the Consolidated Company considers:

- Any 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 Consolidated Company's recourse rights are limited to the terms of cash flows from specific assets (e.g. non- recourse features).

- (5) Impairment of financial assets

The Consolidated Company recognizes allowance losses on expected credit losses on financial assets (including cash and cash equivalents, notes and accounts receivable, 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:

- 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 judging whether the credit risk has significantly increased after initial recognition, the Consolidated Company shall consider reasonable and verifiable information (without the need of transition cost or input), including

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

qualitative and quantitative information as well as analysis based on historical experience, credit valuation and prospective 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 merging 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 deficiency, that is, the difference between the cash flows receivable by the Consolidated Company under the contract and the cash flows expected to be collected by the Consolidated 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.

The total carrying amount of a financial asset is reduced directly when the Consolidated Company cannot reasonably be expected to recover the whole or part of the financial asset. The Consolidated Company analyzes the time and amount of write off individually on a reasonable expectation of recoverability basis. The Consolidated Company expects that the write off amount will not be materially reversed. However, the financial assets that have been written off can still be enforced to comply with the procedures of the Consolidated Company in recovering past due amounts.

(6) Derecognition of financial assets

The Consolidated Company will de-recognize financial assets only when the contractual right to cash flow from the asset is terminated, or when the financial asset has been transferred and substantially all the risks and returns of the ownership of the asset have been transferred to other enterprises, or when substantially all the risks and rewards of ownership neither have been transferred nor retained, and control of the financial asset has not been retained.

The Consolidated 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.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

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 cost after amortisation 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

Consolidated Companies are excluded from financial liabilities when contractual obligations have been performed, cancelled or become due. 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 to the extent that the Consolidated Company currently has legally enforceable rights to offset and intend to settle them on a net basis or to realize the assets and liquidate the liabilities simultaneously.

(VIII) 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 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.

(IX) Investment in associates

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

Associates refer to those for which the Consolidated Company has significant influence upon their financial and operation policies but without controlling or joint controlling.

The Consolidated Company adopts the equity method for 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.

The consolidated financial statements shall start from the date of significant impact to the date of loss of significant influence. After making adjustments consistent with the accounting policies of the Consolidated Company, the Consolidated Company shall recognize the profits and losses of the associates and the amount of other comprehensive profit or loss according to the proportion of equity. When the equity of the associates is changed and the shareholding ratio of the Consolidated Company is not affected, the Consolidated Company shall recognize all equity changes as the capital reserve.

Unrealized gains and losses arising from transactions between the Consolidated Company and associates shall be recognized in the enterprise financial statements only to the extent that the investor of non-related party has an interest in the associates.

The Consolidated Company discontinues using the equity method from the date on which its investment ceases to be an associate and retains its interest at fair value through profit or loss. The difference between the fair value of retained interests and the investment carrying amount of the disposal price on the date when the equity method is discontinued, shall be recognized as the profit and loss of 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 Consolidated Company's ownership interest in the associates is reduced but the equity method continues to be applied, the Consolidated Company will reclassify the gain or loss previously recognized in other comprehensive profit or loss related to the reduction of the ownership interest and adjust the reclassification proportionately according to relevant reduction.

(X) Property, plant and equipment

1. Recognition and measurement

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

When the useful life of major components of property, plant and equipment is different, it shall be treated as a separate item (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 expenses are capitalised only when their future economic benefits are likely to flow to the Consolidated 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.

(XI) Leases

The Consolidated Company assesses whether the contract is or includes a lease on the date of its formation. If the contract transfers control over the use of the identified asset for a period of time in exchange for consideration, the contract or includes a lease.

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive 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 Consolidated Company periodically assesses whether the right-of-use asset is reduced by impairment losses, if any, the right-of-use asset for certain re-measurements of the lease liability shall be adjusted.

Lease liabilities are initial measurements of the present value of lease benefits unpaid on the start date of the lease. If interest rate implicit in the lease is easy to determined, the discount rate shall be applied. if the rate cannot be reliably determined,

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

the incremental borrowing rate of the Consolidated Company shall be applied. Generally, the Consolidated Company uses the incremental borrowing 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 Consolidated Company chose not to recognize the right-of-use assets and lease liabilities, and instead recognized the relevant lease payments as an expense on a straight-line basis over the lease term.

The Consolidated Company chooses to adopt a pragmatic expedient approach for rent concessions of all roadside stores that meet the following conditions, without assessing 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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

lease benefits, the change is recognized as profit or loss at the time of the event or circumstance initiating the rent concession.

(XII) 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 amortized into profit or loss on average over three to five years according to future economic benefit. The Consolidated Company assesses the residual value of the intangible assets, the amortisation period and the amortisation method on each reporting date. Changes in residual value, amortisation period and amortisation method are considered as changes in accounting estimates.

(XIII) Impairment of Non-financial Assets

For non-financial assets other than inventory and deferred income tax assets, the Consolidated Company assesses whether an impairment occurs on each reporting date and estimates the recoverable amount for those assets that show signs of impairment.

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 amortized if the individual asset or cash-generating unit did not recognize impairment loss in prior years.

(XIV) Provision for Liabilities

The recognition of liability provision means a current obligation for past events, so that the Consolidated Company is most likely to outflow resources with economic benefits to settle it in the future, and the amount of the 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.

(XV) Income from Contracts with Clients

Income is measured at the consideration to which the transfer of goods or services is expected to be entitled. The Consolidated Companies recognize the income when the control over goods or labor service is transferred to client meeting the performance of obligation. The main income items of the Consolidated Company are described as follows:

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

1. Sale of goods - rugged computers

The Consolidated Company manufactures and sells robust computers to its client. The Consolidated Company recognizes income when control of a product is transferred to a 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 when the client has accepted the product in accordance with the terms of the transaction, the risk of obsolescence and loss has been transferred to the client, and the Consolidated Company has objective evidence that all the acceptance conditions have been satisfied.

The Consolidated Company provides a guarantee for the sales of robust computers in accordance with the agreed specifications and has recognized provision for guarantee liabilities in respect of the obligation. For details, please refer to Note 6 (11).

2. Merchandise for sale - business laptops

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

3. Labor service income

The Consolidated Company provides client laptop repair services and recognizes the related Income upon completion of the provision of the services.

4. Financial component

The Consolidated Company does not adjust the monetary time value of the transaction price, as the time between the transfer of the goods or labor services to the client and relevant payment from the client is expected to be less than one year.

(XVI) 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 Consolidated Company under a defined benefit pension plan is measured by the present value of the amount of future benefits earned by employees under each benefit plan during the current or prior period, less the fair value of the plan assets. The Consolidated Company's defined benefit obligations are actuarially determined annually by a qualified actuarial practitioner using the projected unit credit method. When the calculation result may be beneficial to the Consolidated Company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

contributions refund or reduction in future payments of 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 Consolidated Company's determined net defined benefit liability (asset) is determined using the net defined benefit liability (asset) and 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 Consolidated Company recognizes gains or losses on the settlement of a 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. For expected payment amount under short-term cash bonus or dividend scheme, if the Consolidated Company undertakes current obligation of legal or constructive payment for the previous provision of services by employees and the obligation can be reliably estimated, the amount shall be recognized as liability.

(XVII) 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.

The current income tax includes the estimated income tax payable or income tax refund receivable calculated, based on the taxable income (loss) of the current year and any adjustments to the income tax payable or income tax refund receivable in 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;

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

2. Temporary differences arising from the investment in subsidiary, associate, and joint venture equity, the Consolidated Company can control the reversal timing of the temporary difference and is unlikely to be reversed 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 Consolidated Company will offset the deferred income tax assets and deferred income 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.

(XVIII) Earnings Per Share

The Consolidated Company presents basic and diluted earnings per share attributable to ordinary share equity holders. The Consolidated Company's basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the current 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. Potentially diluted ordinary shares of the Consolidated Company are employee remuneration with the option to issue shares.

(XIX) Division Information

The operating division is an operating unit of the Consolidated Company that engages in activities that may result in income and expenses (including income and expenses related to transactions between other divisions of the Consolidated Company). The operation results of all operating divisions are periodically reviewed by the chief operating decision makers of the Consolidated Company, in order to make decisions on the allocation of resources to the division and to evaluate its performance. In addition, it is with separate financial information.

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

When preparing the consolidated financial statements according to preparation standards and IFRS recognized by FSC, the management shall have to make judgment, estimate, and assumption, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Actual results may differ from estimates.

The management has to continuously check the accounting estimate and basic assumptions, and the change in accounting estimate is recognized during the period of change and during the future influenced period.

For the uncertainty of assumptions and estimates, management of the Consolidated Company considers that there are significant risks in the valuation of inventories, which may result in significant adjustments in the coming year, and 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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

at the reporting date. Based on business considerations, the Consolidated Company sometimes needs to establish longer-term inventory for some key components. However, the future demand is likely to change. The Consolidated Company assesses the amount of inventory at the reporting date due to obsolescence or below the market selling price, and reduces the cost of inventory 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.

VI. Explanation on Important Accounting Items

(I) Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Cash on hand	\$ 38	38
	1 2	
Checking deposit and demand deposit	488,37	499,70
	0 4	
	<u>\$</u>	
	<u>488,75</u>	<u>500,08</u>
	<u>1 6</u>	

On December 31, 2022 and 2021, the Consolidated Company's bank time deposits with original maturity of more than three months were NT \$206,100,000 and NT \$246,020,000, respectively, which were reported 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>

For the amount recognized as profit or loss at fair value, please refer to Note 6 (18).

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

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

The shares of Mildef Group AB, an associate of the Consolidated Company, which was partially invested by equity method, were sold in June 2021 with investment return of NT \$32,622,000. Mildef Group AB completed an initial public offering and was listed on Nasdaq Stockholm Stock Exchange, Sweden. The shareholding ratio of the Consolidated Company as a result of the aforementioned disposal and post-IPO was reduced to 12.23%. The equity method was discontinued upon assessment that it no longer had a significant influence on the

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

Company. The difference between the book value of the investment under equity method and discontinued using the equity method was recognized as gain on disposal of NT \$463,985,000. The remaining shares were converted into financial assets- non-current at fair value through other comprehensive profit or loss.

The above equity instrument investments by the Consolidated Company are long-term strategic investments and are not held for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

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	23,863
SEK	351,932	2.94	1,034,681	227,798	3.07	699,339

The Consolidated Company has no disposal of strategic investments in 2022 and 2021, and the accumulated gains and losses during such periods have not been transferred within any equity.

As of December 31, 2022 and 2021, the financial assets of the aforementioned Consolidated Companies have not provided pledge guarantees.

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

	2022.12.31	2021.12.31
Notes and accounts receivable	\$ 96,180	66,079
Accounts receivable--related parties	11,683	6,376
Less: loss allowance	-	(723)
	\$ 107,863	71,732

The Consolidated Company estimated expected credit losses using a simplified approach for all notes and accounts receivable, i.e., using lifetime expected credit losses, and included forward-looking information. The analysis of expected credit losses on the Consolidated Company's notes and accounts receivable is as follows:

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

	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%	-
Past due for 1 to 30 days	651	0.00011%	-
	<u>\$ 107,863</u>		<u>-</u>
	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%	72 3
	<u>\$ 72,455</u>		<u>72</u> <u>3</u>

Changes in allowance for loss on notes and accounts receivable of the Consolidated Company are as follows:

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

(IV) Inventories

	2022.12.31	2021.12.31
Goods	\$ 181,946	120,060
Finished goods	4,175	1,706
Semi-finished goods	155,100	199,532
Work in process	237,646	150,411
Raw materials	462,207	429,451

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

<u>\$</u>		
	1,041,07	901,160
4		

Inventory costs recognized as cost of goods sold in 2022 and 2021 were NT \$2,137,352,000 and NT \$2,176,505,000, respectively; inventory depreciation losses recognized due to inventory write-down to net realisable value were NT \$12,839,000 and NT \$15,595,000, respectively, recognized under operating costs.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

(V) Investment Accounted for Using Equity Method

The Consolidated Company does not have any individually significant associate, and the aggregate information on the Consolidated Company's share of loss on associates is disclosed as follows:

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

In 2022, the Consolidated Company has no investment on associate adopting equity method.

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

(VI) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation facilities	Office equipment	Other equipment	Total
Balance on January 1, 2022	\$ 147,478	72,299	89,500	7,252	762	71,273	388,564
Additions	-	476	4,419	695	-	12,554	18,144
Disposal	-	-	-	(380)	-	(585)	(965)
Balance on December 31, 2022	<u>\$ 147,478</u>	<u>72,775</u>	<u>93,919</u>	<u>7,567</u>	<u>762</u>	<u>83,242</u>	<u>405,743</u>
Balance on January 1, 2021	\$ 147,478	70,493	86,931	5,752	762	63,805	375,221
Additions	-	1,806	2,569	1,500	-	7,468	13,343
Balance on December 31, 2021	<u>\$ 147,478</u>	<u>72,299</u>	<u>89,500</u>	<u>7,252</u>	<u>762</u>	<u>71,273</u>	<u>388,564</u>
Balance on January 1, 2022	\$ -	24,824	58,497	4,038	405	58,562	146,326
Depreciation	-	2,345	6,000	1,203	48	8,178	17,774
Disposal	-	-	-	(272)	-	(585)	(857)
Balance on December 31, 2022	<u>\$ -</u>	<u>27,169</u>	<u>64,497</u>	<u>4,969</u>	<u>453</u>	<u>66,155</u>	<u>163,243</u>
Balance on January 1, 2021	\$ -	23,072	52,591	2,762	330	49,479	128,234
Depreciation	-	1,752	5,906	1,276	75	9,083	18,092
Balance on December 31, 2021	<u>\$ -</u>	<u>24,824</u>	<u>58,497</u>	<u>4,038</u>	<u>405</u>	<u>58,562</u>	<u>146,326</u>
Book value:							
December 31, 2022	<u>\$ 147,478</u>	<u>45,606</u>	<u>29,422</u>	<u>2,598</u>	<u>309</u>	<u>17,087</u>	<u>242,500</u>
January 1, 2021	<u>\$ 147,478</u>	<u>47,421</u>	<u>34,340</u>	<u>2,990</u>	<u>432</u>	<u>14,326</u>	<u>246,987</u>
December 31, 2021	<u>\$ 147,478</u>	<u>47,475</u>	<u>31,003</u>	<u>3,214</u>	<u>357</u>	<u>12,711</u>	<u>242,238</u>

As of December 31, 2022 and 2021, the Consolidated Company used the equipment as collateral for the loans of non-financial institutions. For details, please refer to Note 8.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

(VII) Right-of-use assets

	<u>Buildings</u>
Cost of right-of-use assets:	
Balance on January 1, 2022	\$ 137,776
Additions	34,880
Lease modification	680
Decrease	<u>(31,865)</u>
Balance on December 31, 2022	<u>\$ 141,471</u>
Balance on January 1, 2021	\$ 82,425
Additions	56,725
Lease modification	170
Decrease	<u>(1,544)</u>
Balance on December 31, 2021	<u>\$ 137,776</u>
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2022	\$ 86,265
Depreciation for current period	31,251
Decrease	<u>(25,713)</u>
Balance on December 31, 2022	<u>\$ 91,803</u>
Balance on January 1, 2021	\$ 57,917
Depreciation for current period	29,892
Decrease	<u>(1,544)</u>
Balance on December 31, 2021	<u>\$ 86,265</u>
Book value:	
December 31, 2022	<u>\$ 49,668</u>
January 1, 2021	<u>\$ 24,508</u>
December 31, 2021	<u>\$ 51,511</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

(VIII) Intangible Assets

	Computer software
Cost:	
Balance on January 1, 2022	\$ 35,620
Additions in current period	<u>6,791</u>
Balance on December 31, 2022	<u>\$ 42,411</u>
Balance on January 1, 2021	\$ 27,316
Additions in current period	<u>8,304</u>
Balance on December 31, 2021	<u>\$ 35,620</u>
Accumulated amortization:	
Balance on January 1, 2022	\$ 27,855
Amortization in current period	<u>5,139</u>
Balance on December 31, 2022	<u>\$ 32,994</u>
Balance on January 1, 2021	\$ 23,202
Amortization in current period	<u>4,653</u>
Balance on December 31, 2021	<u>\$ 27,855</u>
Book value:	
Balance on December 31, 2022	<u>\$ 9,417</u>
Balance on January 1, 2021	<u>\$ 4,114</u>
Balance on December 31, 2021	<u>\$ 7,765</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	<u>3,978</u>	<u>4,454</u>
Total	<u>\$ 5,139</u>	<u>4,653</u>

(IX) Long-term borrowings

	2021.12.31			
	Currency	Interest rate range	Year in which borrowings are due	Amount
Guaranteed loans from non-financial institutions	NT\$	3.79%	109~111	\$ 1,751
Less: Liabilities due within one year				<u>(1,751)</u>
Total				<u>\$ -</u>
Credit not yet used				<u>\$ -</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

1. Increase and repayment of loans

Borrowings from Shinshin Credit Corporation (a subsidiary of Yulon Finance Corporation) in 2019, the amount repaid in 2022 and 2021 was NT \$1,751,000 and NT \$2,151,000, respectively. For details of interest expense, please refer to Note 6 (18). The loan has been fully repaid in 2022.

2. Collateral for Loans from Non-financial Institutions

Please refer to Note 8 for the details of subsidiary Flexbasis's assets pledged as collateral for the above-mentioned loan. The collateral for the above-mentioned loan was cancelled on December 21, 2022.

(X) Lease liabilities

The carrying amounts of the Consolidated Company lease liabilities are as follows:

	2022.12.31	2021.12.31
Current	<u>\$ 24,808</u>	<u>22,898</u>
Non-current	<u>\$ 25,088</u>	<u>28,629</u>

For details of maturity analysis, please refer to Note 6 (19) Financial Instruments.

The amounts of leases recognized in profit or loss are as follows:

	2021	2021
Interest expenses on lease liabilities	<u>\$ 725</u>	<u>352</u>
Short-term lease expenses	<u>\$ 311</u>	<u>175</u>
COVID-19-related rent concessions	<u>\$ 254</u>	<u>432</u>

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

	2022	2021
Total cash outflow from leases	<u>\$ 32,075</u>	<u>30,617</u>

The lease term for stores and plants of the Consolidated Company is usually one to three years. If the lease term expires, the lease term and price shall be renegotiated.

The Consolidated Company chose to apply the exemption from recognizing its relevant right-of-use assets and lease liabilities for parking space, which are short-term leases.

(XI) 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	(3,650)
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	(4,194)

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

Balance on December 31, 2021

\$ 4,535

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

(XII) Employee Benefits

1. Defined benefit plans

Only the Consolidated Company has defined benefit retirement 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	(67,582)	(57,791)
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.

As of December 31, 2022 and 2021, the balance of the Consolidated Company's banking labor retirement reserve account in Taiwan amounted to 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:

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

	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 loss (gain) resulting from empirical adjustments	(810)	(3,398)
- Actuarial loss (gain) arising from changes in financial 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 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>

(4) Changes in cap asset effects

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

(5) Expense recognized and included in profit or loss

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

	2022	2021
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:

	2022.12.31	2021.12.31
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 the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

2022.12.31				
Discount rate		Rate of salary changes		
Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%	
\$	2,09	2,02	(1,970	
(2,0300	2)		
)				
2021.12.31				
Discount rate		Rate of salary changes		
Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%	
\$	2,74	2,63	(2,546	
(2,6389	4)		
)				

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 Consolidated Company's defined contribution plan is based on the Labor Pension Act, and the contribution rate is 6% of the employee monthly salaries to the labor pension personal account prescribed by the Bureau of Labor Insurance. There is no statutory or constructive obligation for the Consolidated Company to pay additional amount, if the Consolidated Company has allocated fixed amount to the Bureau of Labor Insurance.

The retirement benefit expenses under the defined contribution plan of the Consolidated Company for 2022 and 2021, were NT \$11,201,000 and NT \$10,727,000, respectively.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and Its Subsidiaries (Continued)

(XIII) Income Tax

1. Income tax expenses

The details of income tax expense of the Consolidated Company in 2022 and 2021 are as follows:

	2022	2021
Income tax expenses in current period		
Incurred in current period	\$ 85,057	107,730
Adjustment of current income tax incurred in the preceding period	(15,012)	4,297
	<u>70,045</u>	<u>112,027</u>
Deferred income tax expenses		
Occurrence and reversal of temporary differences	60	52,775
Income tax expenses	<u>\$ 70,105</u>	<u>164,802</u>

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

	2022	2021
Actuarial gain (loss) on defined benefit plan	3,090	338
Financial assets at fair value through other comprehensive profit or loss	67,069	33,148
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 Consolidated Company are as follows:

	2022	2021
Net profit before tax	<u>\$ 305,485</u>	<u>809,177</u>
Income tax calculated at the domestic tax rate of \$ the Company	61,097	161,835
Effect of tax rate differences in foreign jurisdictions	-	(16,432)
Tax on undistributed earnings	19,242	2,363
Others	(10,234)	17,036
	<u>\$ 70,105</u>	<u>164,802</u>

2. Deferred Income Tax Assets and Liabilities

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

Deferred income tax assets:

	Defined benefit plans	Allowance for Loss on Inventory Valuation	Others	Total
January 1, 2022	\$ 9,528	51,528	6,954	68,010
Statement of profit or loss – credit(Debit)	(1,759)	2,568	(869)	(60)
Other comprehensive profit or loss -credit(debit)	(3,090)	-	-	(3,090)
December 31, 2022	<u>\$ 4,679</u>	<u>54,096</u>	<u>6,085</u>	<u>64,860</u>
January 1, 2021	\$ 10,496	48,409	7,582	66,487
Statement of profit or loss – credit(Debit)	(630)	3,119	(628)	1,861
Other comprehensive profit or loss -credit(debit)	(338)	-	-	(338)
December 31, 2021	<u>\$ 9,528</u>	<u>51,528</u>	<u>6,954</u>	<u>68,010</u>

Deferred income tax liabilities:

	Investment accounted by equity method	Financial assets at fair value through other compre- hensive 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	<u>\$ -</u>	<u>204,124</u>	<u>204,124</u>
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	<u>\$ -</u>	<u>137,055</u>	<u>137,055</u>

The company's profit-making business income tax settlement declaration has been approved by the agency until 2020.

(XIV) 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.

Capital surplus

	<u>2022.12.31</u>	<u>2021.12.31</u>
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.

2. 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 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.

Cash dividends shall account for 0% to 100% of the total dividends, and stock dividends shall account for 0% to 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 scheme for 2021 and 2020 through the Annual Shareholders' Meeting, and the dividends distributed to the owners are as follows:

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

On March 23, 2023, the Board of Directors proposed the following earning distribution scheme for 2022:

	2022	
	Dividend per share (NT\$)	Amount
Dividends distributed to owners of ordinary shares:		
Cash	\$	3.60 <u>211,268</u>

3. 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	263,409	-	263,409
Determination of net after tax actuarial gains and losses of benefit plans	-	12,362	12,362
Balance on December 31, 2022	<u>\$ 387,473</u>	<u>(6,648)</u>	<u>380,825</u>

	Unrealized gain or loss on financial assets at fair value measu- rement through other compre- hensive profit or loss	Remeasu- rement of defined benefit plan	Share of the other compre- hensive profit or loss of associates accounted for using the equity method	Total
Balance on January 1, 2021	\$ (9,783)	(20,360)	(14,798)	(44,941)
Share of the other comprehensive profit or loss of associates accounted for using the 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>\$ 124,064</u>	<u>(19,010)</u>	<u>-</u>	<u>105,054</u>

(XV) Earnings Per Share

1. Basic earnings per share

	2022	2021
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)	<u>58,685</u>	<u>58,685</u>
Basic earnings per share (NT\$)	<u>3.89</u>	<u>10.87</u>

2. Diluted earnings per share

	2022	2021
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	861	866
Weighted average number of 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>

(XVI) Income from Clients' Contracts

1. Income breakdown

Major products/service lines:

Commercial computer	\$	1,790,672	1,860,691
Rugged computer		846,588	768,811
Maintenance services and others		71,106	178,203
	\$	2,708,366	2,807,705

For market information of main sales region, please refer to Note 14 (3)2.

2. Contract balance

	2022.12.31	2021.12.31	110.1.1
Notes and accounts receivable (including related party)	\$ 107,863	72,455	187,192
Less: loss allowance	-	(723)	(723)
Total	\$ 107,863	71,732	186,469
Contract liabilities (including related parties)	\$ 246,664	263,911	222,333

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

The contract liabilities mainly arise from advances received from the sales of rugged computers, which will be reclassified to revenue when Consolidated Company delivers the products to clients. The opening balances of contractual liabilities on January 1, 2022 and 2021 were recognized and included as income in 2022 and 2021, amounted for NT \$87,474,000 and NT \$110,762,000, respectively.

(XVII) 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 compensation of the Company for 2022 and 2021 amounted to NT \$31,608,000 and NT \$42,242,000, respectively. The director's estimated remuneration amounted to 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 and director compensation, and multiplied by the distribution percentages of employee 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).

(XVIII) Non-operating income and expenses

1. Interest income

	2022	2021
Interest on bank deposits	\$ 2,919	2,140
Other interest income	5,993	6,107
	\$ 8,912	8,247

2. Other Income

	2022	2021
Dividend income	\$ 16,338	8,844
COVID-19-related rent concessions	254	432
Others	1,559	1,215
	\$ 18,151	10,491

3. Other Gains and Losses

	2022	2021
Foreign exchange gains (losses)	\$ 13,155	(5,719)
Net gain on financial assets at fair value through profit or loss	225	357
Others	48	(9)
	\$ 13,428	(5,371)

4. Financial cost

	2022	2021
Interest expense:		
Loans from non-financial institutions	\$ (87)	(105)
Lease liabilities	(725)	(352)
Others	(16)	(26)
Total	\$ (828)	(483)

(XIX) 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	488,751	500,086
Notes and accounts receivable (including related party)	107,863	71,732
Other financial assets - current	206,100	246,020
Other non-current assets - refundable deposits	<u>5,600</u>	<u>5,600</u>
Total	<u>\$ 1,882,844</u>	<u>1,667,525</u>

(2) Financial Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities at amortisation cost:	\$	
Loans from non-financial institutions	-	1,751
Lease liabilities	49,896	51,527
Payables	<u>311,328</u>	<u>246,906</u>
Total	<u>\$ 361,224</u>	<u>300,184</u>

2. Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount of credit risk exposure. The Consolidated Company's maximum amounts of credit risk exposure as of December 31, 2022 and 2021 were NT \$1,882,844,000 and NT \$1,667,525,000, 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 economic or other conditions. Of the net accounts receivable (including accounts receivable from related parties) of the Consolidated Company as of December 31, 2022 and 2021, a total of 88% and 87% were composed of four of the clients, which made the Consolidated Company have a concentration of credit risk. In order to reduce credit risk, the Consolidated Company continuously assesses the financial position of clients and strictly monitors the credit line.

3. Liquidity risk

The contractual maturity of the Consolidated Company's financial liabilities is analyzed as follows:

	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6 -to 12 months</u>	<u>1 -to 2 years</u>	<u>2- to 5 years</u>	<u>Over 5 years</u>
December 31, 2022						
Notes and accounts payable (including related parties)	\$ (202,834)	(202,834)	-	-	-	-
Lease liabilities	(50,907)	(15,744)	(9,567)	(12,783)	(12,813)	-
Other payables (including related parties)	(108,494)	(108,494)	-	-	-	-
	<u>\$ (362,235)</u>	<u>(327,072)</u>	<u>(9,567)</u>	<u>(12,783)</u>	<u>(12,813)</u>	<u>-</u>
December 31, 2021						
Notes and accounts payable (including related parties)	\$ (130,743)	(130,743)	-	-	-	-
Lease liabilities	(53,605)	(15,042)	(8,605)	(11,599)	(18,043)	(316)
Loans from non-financial institutions	(1,855)	(1,114)	(741)	-	-	-
Other payables (including related parties)	(116,163)	(116,163)	-	-	-	-
	<u>\$ (302,366)</u>	<u>(263,062)</u>	<u>(9,346)</u>	<u>(11,599)</u>	<u>(18,043)</u>	<u>(316)</u>

The Consolidated Company does not expect the cash flows analyzed at maturity to be materially earlier or the actual amount to be materially different.

4. Exchange rate risk

(1) Risk exposures of foreign exchange rate risk

The Consolidated Company's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

<u>2022.12.31</u>			<u>2021.12.31</u>		
<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NT\$</u>	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NT\$</u>
<u>Financial assets</u>					
<u>Monetary item</u>					
US\$	\$ 4,819	30.17	5,363	27.68	148,448
<u>Financial Liabilities</u>					
<u>Monetary item</u>					
US\$	18	30.17	9	27.68	249

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

(2) Sensitivity analysis

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

	2022.12.31	2021.12.31
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

On December 31, 2022 and 2021, the Consolidated Company mainly operated with its own funds, and the amount of external borrowings was not significant. The amount of the financial assets of the Consolidated Company was not materially affected by the change in interest rate. Therefore, the management of the Consolidated Company considers that the change in interest rate has no significant impact on its the short-term profit and loss.

6. Fair value information

(1) Financial instruments not measured at fair value

The management of the Consolidated Company considers that the carrying amounts of the financial assets and financial liabilities measured at amortised cost are close to their fair values in the consolidated financial statements.

(2) Financial instruments measured at fair value

The Consolidated Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive profit or loss are measured at fair value on a recurring basis. 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 (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				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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
	<u>\$ 1,054,500</u>	<u>1,034,681</u>	<u>-</u>	<u>19,819</u>	<u>1,054,500</u>
	2021.12.31				
	帳面金額	公允價值			合計
		第一級	第二級	第三級	
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
Total	<u>\$ 724,022</u>	<u>699,339</u>	<u>-</u>	<u>24,683</u>	<u>724,022</u>

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.

There are standard terms and conditions for the money funds and overseas listed stocks held by the Consolidated Company, and such funds and stocks are traded in active markets. The fair values thereof are determined as per the quoted market prices.

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 fair values of the unlisted stocks held by the Consolidated Company without active markets are mainly valued using the income approach based on a discounted cash flow model. It is mainly assumed that the expected future cash flow from the investees will be discounted and measured at the return on investment that reflects the time value of money and investment risk.

(4) Details of changes in the level 3

	Financial assets at fair value through other comprehensive profit or loss <u>Equity instruments</u>
January 1, 2022	\$ 24,683
Total profit or loss	
Recognized in other comprehensive profit or loss	(4,864)
December 31, 2022	<u>\$ 19,819</u>
January 1, 2021	\$ 23,431
Total profit or loss	
Recognized in other comprehensive profit or loss	1,252
December 31, 2021	<u>\$ 24,683</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 Input Value (Level 3)

The Consolidated Company’s financial instruments at fair value and classified as Level 3 are financial assets at fair value through other comprehensive income - unlisted stocks.

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

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 unlisted (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 of equity capital, the lower the fair value

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

The measurement of fair values of financial instruments by the Consolidated Company is reasonable, but the use of different valuation models or valuation parameters may result in different valuation results. For financial instruments classified as Level 3, if the valuation parameters change, the effect on other comprehensive income in this period is as follows:

			Changes of fair value reflected in other comprehensive profit or loss	
	Input value	Increase or decrease change	Favorabl e change	Unfavora ble change
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%	\$ 126	124
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%	\$ 156	154

The Consolidated Company's favorable and unfavorable changes refer to the fluctuations of fair values, and fair values are calculated with the valuation techniques based on different unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table

only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs.

(XX) Financial Risk Management

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

The Board of Directors of the Consolidated Company is responsible for developing and controlling the risk management policies of the Consolidated Company. The risk management policies are established for the purpose of recognizing and analysing the risks faced by the Consolidated Company, setting appropriate risk limits and controls, and supervising compliance with risk and risk limits. Risk management policies and systems are regularly reviewed to reflect market conditions and changes in the operations of the Consolidated Company.

The consolidated company supervises and reviews financial activities in accordance with the relevant regulations and internal control system. The internal auditors play a supervisory role and report the results of the review to the Board of Directors on a regular basis.

1. Credit risk

Credit risk is the risk of financial loss arising from the failure of the Consolidated Company's clients or counter parties of the financial instruments to meet their contractual obligations, mainly including cash, cash equivalents, and fund beneficiary certificates - monetary funds, accounts receivable, and other financial instruments. The bank deposits of the consolidated company are deposited in public and large private financial institutions with good credit; the beneficiary certificates of the funds held are issued by the company with good credit, and there are no major performance concerns. Therefore, it is considered that the bank deposits of the Consolidated Company and the beneficiary certificates of the funds held will not have significant credit risks.

The Consolidated Company has established a credit policy that analyses the financial position of each client individually to determine its credit limit, with continuous evaluation of the financial position of the client on a regular basis.

2. Liquidity risk

Liquidity risk relates to the risk that the Consolidated Company is not able to deliver cash or other financial assets to settle its financial liabilities and fail to meet its relevant obligations. The capital and working capital of the Consolidated

Company is sufficient to meet all contractual obligations. Therefore, there is no liquidity risk arising from the inability to raise funds to meet contractual obligations.

3. Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, and equity instrument prices, will affect the Consolidated Company's earnings 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 Consolidated Company is exposed to exchange rate risk arising from sales and purchasing transactions that are not denominated in the functional currency (NT\$) of the Consolidated Company. The major currency in which these transactions are denominated in US\$. However, the net positions of the foreign currency assets and liabilities of the Consolidated Company are generally not material. Therefore, in addition to continuously controlling the net position of foreign currency risk exposure of the Consolidated Company at an acceptable level, the management of the Consolidated Company considers that the exchange rate risk is not material.

(2) Interest rate risk

The Consolidated Company mainly operates with its own funds, the amount of external borrowing is not significant, and the value of the financial assets held is not materially affected by the change in the interest rate. Therefore, the management of the Consolidated Company considers that the interest rate risk is not significant.

(3) Other market risks

The Consolidated Company incurs the risk of changes in equity price due to equity securities investment of the listed company, which is not held for trading and is a long-term strategic investment.

The monetary funds held by the Consolidated Company are characterised by stable yields and the risk of price changes is insignificant. Therefore, the Consolidated Company does not consider significant market risk for the monetary funds held.

In addition, the management of the Consolidated Company considers that the short-term market risk is not significant, because of the stable operating performance of the unlisted company's shares held by the Consolidated Company, which enables the Consolidated Company to generate continuous dividend income.

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 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.

(XXI) Capital Management

Based on the current operating characteristics of the industry and the prospect of the Consolidated Company, taking the changes in the external environment and other factors into account, the Consolidated Company plans the working capital, research and development expenses, dividend expenses, and other needs to ensure the continuous operation of the Company, in order to reward shareholders while taking into account the interests of other stakeholders, and maintain 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	\$ 886,594	817,979
Less: cash and cash equivalents	488,751	500,086
Net liabilities	<u>\$ 397,843</u>	<u>317,893</u>
Total equity	<u>\$ 2,429,068</u>	<u>2,140,190</u>
Capital and liability ratio	<u>16.38%</u>	<u>14.85%</u>

There has been no significant change in the management of the Consolidated Company's capital in 2022.

(XXII) 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:

	<u>2022.1.1</u>	<u>Cash flows</u>	<u>Changes in non-cash items</u>		<u>2022.12.31</u>
			<u>Additions</u>	<u>Decrease</u>	
Long-term borrowings (including the current portion)	\$ 1,751	(1,751)	-	-	-
Lease liabilities	51,527	(31,039)	35,560	(6,152)	49,89
)	6
Total liabilities from financing activities	<u>\$ 53,278</u>	<u>(32,790)</u>	<u>35,560</u>	<u>(6,152)</u>	<u>49,89</u>
)	6

	<u>2021.1.1</u>	<u>Cash flows</u>	<u>Changes in non-cash items</u>		<u>2021.12.31</u>
			<u>Additions</u>	<u>Decrease</u>	
Long-term borrowings (including the current portion)	\$ 3,852	(2,101)	-	-	1,75
Lease liabilities	24,722	(30,090)	56,895	-	51,52
)	7
Total liabilities from financing activities	<u>\$ 28,574</u>	<u>(32,191)</u>	<u>56,895</u>	<u>-</u>	<u>53,27</u>
)	8

VII. Related Party Transactions**(I) Name of related party and relations**

The related parties had transactions with the Consolidated Company during the period covered by these consolidated financial statements are as follows:

<u>Name of related party</u>	<u>Relations with the Consolidated Company</u>
MilDef Group AB	Associates of the Consolidated 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 Consolidated Company is one of the company's three shareholders

(Note) Since June 2021, the Consolidated Company has lost significant influence over MilDef Group AB, which is no longer an associate of the Consolidated 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 Consolidated Company's sales conditions to related parties are not significantly different from those to general clients, and the payment term is about 30 to 60 days.

2. 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>

3. 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>

4. Repair and maintenance and other operating revenue

	<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.

5. 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

Remuneration to key management personnel includes:

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

VIII. Assets pledged

The details of the book values of the assets pledged by the Consolidated Company are as follows:

Name of asset	Pledge guarantee subject	2022.12.31	2021.12.31
Time deposit	Tariff guarantee	\$ 200	200
Property, plant and equipment	Loans from non-financial institutions	-	6,384
		\$ 200	6,584

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

X. Significant Catastrophic Losses: None

XI. Major Events after the Reporting Period

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

XII. Others

Employee benefits and depreciation and amortization expense are summarized by function as follows:

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	84,465	165,825	250,290	87,187	174,762	261,949
Labor and health insurance	7,819	15,826	23,645	7,486	15,496	22,982
Pension	3,654	7,987	11,641	3,508	7,816	11,324
Directors' remuneration	-	6,501	6,501	-	7,380	7,380
Other employee benefits expenses	829	2,188	3,017	848	2,414	3,262
Depreciation expense	19,172	29,853	49,025	19,143	28,841	47,984
Amortization expense	1,161	3,978	5,139	199	4,454	4,653

XIII. Notes to Disclosures**(I) Information related to significant transactions**

In accordance with the requirements of the Preparation Standards, for the year 2022, the information related to significant transactions that should be disclosed is 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):

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				Highest share-holding ratio during the period	Remark
				Number of shares	Carrying amount	Share-holding 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	8	18,819	8.00%	18,819	8.00 %	
The Company	Alliance Technology Co., Ltd. shares	-	"	100	1,000	0.79%	1,000	0.79 %	
The Company	Mildef Group AB Shares	-	"	4,356	1,034,681	10.93%	1,034,681	10.93 %	
The Company	Hua Nan Kirin Money Market Fund	-	Financial assets measured at fair value through profit or loss - current	1,213	20,030	-	20,030	-	

4. Accumulative purchase or sale of the same marketable securities amounted to NT \$300 million or more than 20% of the paid-in capital: None.
5. Real estate acquisition amounted to NT \$300 million or more than 20% of paid-in capital: None.
6. The amount of disposal of real estate amounted to NT \$300 million or more than 20% of the paid-in capital: None.
7. 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	Counter-party	Relation-ships	Transaction details				Situation and reason why transaction conditions are different from general trading		Notes and accounts receivable (payable)		Remark
			Purchase (sales) of goods	Amount	Percent-age of total goods purchas-ing (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Roda Computer GmbH	The Company is one of the three shareholders of this company	Sale of goods	336,373	12.42%	Delivered in 45 days.	-	-	11,683	10.83%	

8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: none.
9. Engaged in derivative transactions: none
10. Business Relations and Important Transactions Between Parent Company and Subsidiaries:

No. (Note 1)	Name of trader	Transaction counterparty	Relation-ship (Note 2)	Transaction details			
				Account	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%)
1	Flexbasis	The Company	2	Accounts receivable	3,479	Net 60 days end of the following month	0.10
1	Flexbasis	The Company	2	Sales income	65,547	Net 60 days end of the following month	2.42

Note 1. The serial number is filled in as follows:

1. "0" stands for parent company.
2. Subsidiaries are numbered sequentially starting with the Arabic numeral "1" for each company.

Note 2. The types of relations with the counterparty are indicated as follows:

1. Parent company to subsidiary
2. Subsidiary to parent company

Note 3. The above transactions were written off in the preparation of consolidated financial statements.

(II) Information on Investees

The information on the Company's reinvestment business in 2022 is as follows:

Unit: Thousand shares/NT\$ thousand

Name of investor	Name of investee	Location	Main business	Initial investment amount		Holding in the end of the period			Highest shareholding ratio during the period	Gain or loss on investee in this period	Investment income or loss recognized in this 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%	30,008	65.30%	21,886	13,382	(Note)

Note: It was written off in the consolidated financial statements.

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

(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

(I) General information

The main operating items of the Consolidated Company are the production and sales of various computer software/hardware and its peripheral equipment and other products, and the information of the operating division reviewed by the operating decision maker is a single business division.

(II) Information on the reporting division's profit and loss, assets, liabilities and measurement basis and adjustment

The accounting policies of the operating division of the Consolidated Company are the same as the summary of significant accounting policies described in Note 4. The information of the division profit and loss, the divisional assets and the divisional liabilities are consistent with the financial statements. Please refer to the consolidated balance sheets and the consolidated income statements. Operating division gains and losses are measured in profit or loss before tax and are used as a basis for management resource allocation and performance evaluation.

(III) Corporate overall information

1. Product and labor service specific information

The Consolidated Company's income information from external clients is as follows:

Product and service name	2022	2021
Laptop	\$ 2,637,260	2,629,648
Maintenance services and others	71,106	178,057
	\$ 2,708,366	2,807,705

2. Geographical information

The geographical information of the Consolidated Company is as follows, where income is classified on the basis of the geographical location of the client, while non-current assets are classified on the basis of the geographical location of the asset.

Income from external clients:

Region	2022	2021
Taiwan	\$ 1,990,673	2,190,524
Germany	336,373	383,951
Sweden	117,723	112,526
U.S.	195,646	60,538
Other regions	67,951	60,166
	\$ 2,708,366	2,807,705

Non-current assets:

Region	2022.12.31	2021.12.31
Taiwan	\$ 301,585	301,514

The above non-current assets include property, plant and equipment, right-of-use assets and intangible assets, but exclude financial instruments, investments using the equity method and deferred income tax assets.

(IV) Important client information

Client name	2022		2021	
	Amount	Percentage to operating income	Amount	Percentage to operating income
Roda Computer GmbH	\$ 336,373	12.42	376,504	13.41

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

Mildef Crete Inc.
Balance Sheet
December 31, 2022 and 2021

Unit: NT\$ thousand

		2022.12.31		2021.12.31				2022.12.31		2021.12.31	
Assets		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:											
1100	Cash and cash equivalents (Note 6 (1))	\$ 428,173	13	445,347	15	2130	Contract liabilities - current (Notes 6 (15) and 7)	\$ 246,664	8	263,911	9
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	20,030	1	120,065	4	2150	Notes payable	47,670	-	21,810	1
1150	Net notes and accounts receivable (Note 6 (3) and (15))	95,529	3	65,356	2	2170	Accounts payable (Note 7)	152,666	5	113,295	3
1180	Net accounts receivable - related parties (Note 6 (3), (15) and 7)	11,683	-	6,376	-	2209	Accrued expenses (Note 6 (16))	96,449	3	107,661	4
130X	Inventories (Note 6 (4))	1,065,668	33	930,250	33	2220	Other payables-related party (Note 7)	2,010	-	-	-
1476	Other financial assets - current (Note 6 (1))	206,100	6	246,020	8	2230	Current income tax liabilities	36,230	1	54,074	2
1479	Other current assets	25,009	1	18,260	1	2280	Lease liabilities-current (Note 6 (9))	21,316	1	19,598	1
	Total current assets	1,852,192	57	1,831,674	63	2399	Other current liabilities	393	-	391	-
Non-current assets:							Total current liabilities	603,398	18	580,740	20
1517	Financial assets at fair value through other comprehensive profit or loss - non-current (Note 6 (2))	1,054,500	32	724,022	25	2552	Non-current liabilities:				
1550	Investments accounted for using the equity method (Note 6 (5))	30,007	1	26,289	1	2570	Provisions for warrant liabilities (Note 6 (10))	6,855	-	4,535	-
1600	Property, plant and equipment (Note 6 (6))	222,025	7	220,590	8	2580	Deferred income tax liabilities (Note 6 (12))	204,124	6	137,055	5
1755	Right-of-use assets (Note 6 (7))	34,840	1	33,816	1	2640	Lease liabilities-non-current (Note 6 (9))	13,550	1	14,221	-
1780	Intangible assets (Note 6 (8))	7,146	-	7,765	-		Net defined benefit liabilities-non-current (Note 6 (11))	28,737	1	52,983	2
1840	Deferred income tax assets (Note 6 (12))	64,025	2	66,544	2		Total non-current liabilities	253,266	8	208,794	7
1900	Other non-current assets (Note 8)	5,050	-	5,051	-		Total liabilities	856,664	26	789,534	27
	Total non-current assets	1,417,593	43	1,084,077	37		Equity (Note 6 (13)):				
						3100	Share capital	586,855	18	586,855	20
						3200	Capital surplus	72,650	2	72,650	2
						3300	Retained earnings	1,372,791	42	1,361,658	47
						3400	Other equity	380,825	12	105,054	4
							Total equity	2,413,121	74	2,126,217	73
							Total liabilities and equity	\$ 3,269,785	100	2,915,751	100
Total		\$ 3,269,785	100	2,915,751	100						

(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 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	\$ 504,041	19	788,187	28
	Earnings per share (NT\$; (Note 6 (14))				
	Basic earnings per share	\$ 3.89		10.87	
	Diluted earnings per share	\$ 3.83		10.72	

(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	<u>\$ 428,173</u>	<u>445,347</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.
Notes to Parent Company Only Financial Statements
2022 and 2021

(In NT\$ thousand, except otherwise specified)

XV. 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.

XVI. 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.

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

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

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

XVIII. 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.

(XX) 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".

(XXI) Basis of preparation

1. Basis of measurement

Except for the following important items in the balance sheet, this parent company

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

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.

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

(XXIII) Criteria for Classification of Assets and Liabilities as Current and Non-current

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

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.

(XXIV)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.

(XXV)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 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.

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

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.

(XXVI)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 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.

(XXVII)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.

(XXVIII)Investment in Subsidiary

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

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

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.

(XXIX)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.

(XXX)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 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

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

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 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

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

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.

(XXXI)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.

(XXXII)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.

(XXXIII)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.

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

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.

(XXXIV)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.

(XXXV)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.

(XXXVI)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.

(XXXVII) 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 are calculated by dividing the profit or loss attributable to the ordinary equity holders of the Company by

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

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.

(XXXVIII) 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.

XIX. 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)

XX. Explanation on Important Accounting Items

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand	\$ 372	372
Checks and demand deposits	427,801	444,975
	<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

	2022.12.31	2021.12.31
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:

	2022.12.31	2021.12.31
Unlisted (OTC-listed) company shares	\$ 19,819	24,683
Foreign-listed company shares	1,034,681	699,339
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)
	<u><u>\$ 107,212</u></u>	<u><u>71,732</u></u>

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	<u><u>\$ 107,212</u></u>	0.00001%	<u><u>-</u></u>
	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	<u>723</u>	100%	<u>723</u>
	<u><u>\$ 72,455</u></u>		<u><u>723</u></u>

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	<u>(723)</u>	<u>-</u>

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

Closing balance	\$ -	<u>723</u>
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(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>\$ 1,065,668</u>	<u>930,250</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>30,007</u>	<u>26,289</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>\$ (24,862)</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:

	2022	2021
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:

	2022.12.31	2021.12.31
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	<u>\$ (2,030)</u>	<u>2,090</u>	<u>2,022</u>	<u>(1,970)</u>

	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	<u>\$ (2,638)</u>	<u>2,749</u>	<u>2,634</u>	<u>(2,546)</u>

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	(14,838)	3,919
	<u>64,241</u>	<u>103,943</u>
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(571)	53,142
Income tax expenses	<u><u>\$ 63,670</u></u>	<u><u>157,085</u></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	67,069	33,148
Total	<u><u>\$ 70,159</u></u>	<u><u>33,486</u></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><u>\$ 291,940</u></u>	<u><u>795,277</u></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	(13,724)	12,412
	<u><u>\$ 63,670</u></u>	<u><u>157,085</u></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><u>217,137</u></u>	4.50	<u><u>264,085</u></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	\$	<u><u>211,36</u></u>
		<u><u>3.68</u></u>
	0	

4. Other equity (net after-tax)

	Unrealized gain or loss on financial assets at fair value measurement through other comprehensive profit or loss	Remeasureme nt 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	Remeasureme nt 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

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

(XV) Income from Clients' Contracts

1. Income breakdown

	2022	2021
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	67,951	60,166
Total	\$ 2,706,970	2,807,558
Major products/service lines:		
Commercial computer	\$ 1,790,672	1,860,691
Rugged computer	846,588	768,811
Maintenance services and others	69,710	178,056
	\$ 2,706,970	2,807,558

2. Contract Balance

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

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:

	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6 -to 12 months</u>	<u>1 -to 2 years</u>	<u>2- to 5 years</u>	<u>Over 5 years</u>
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)	-	-	-	-
	<u>\$ (334,130)</u>	<u>(312,691)</u>	<u>(7,719)</u>	<u>(9,087)</u>	<u>(4,633)</u>	<u>-</u>
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)	-	-	-	-
	<u>\$ (277,123)</u>	<u>(255,940)</u>	<u>(6,709)</u>	<u>(7,807)</u>	<u>(6,667)</u>	<u>-</u>

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		
	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NT\$</u>	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NT\$</u>
<u>Financial assets</u>						
<u>Monetary item</u>						
US\$	\$ 4,819	30.17	147,991	5,363	27.68	148,448
<u>Financial Liabilities</u>						
<u>Monetary item</u>						
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					
Carrying amount	Fair value			Total	
	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					
Carrying amount	Fair value			Total	
	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)

<u>Item</u>	<u>Valuation technique</u>	<u>Significant non-observable input</u>	<u>Relation of significant non-observable input value at fair value</u>
Financial assets at fair value through other comprehensive profit or loss unlisted (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	
	Input value	Increase or decrease change	Favorable change	Unfavorable change
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%	\$ 126	124
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%	\$ 156	154

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 is 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>

XXI. 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

XXII. 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

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

XXIV. Significant Catastrophic Losses: None

XXV. 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)

XXVI. 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 to

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

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.

XXVII. 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):

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

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

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	-	"	100	1,000	0.79 %	1,000
The Company	Mildef Group AB Shares	-	"	4,356	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	1,213	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.

XXVIII. 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 (Thousan ds of Units)</u>	<u>Acquisitio n cost</u>	<u>Fair value</u>		<u>Remar k</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>
	<u>Number of shares (thousand shares)</u>	<u>Fair value</u>	<u>Number of shares (thousand shares)</u>	<u>Amount</u>	<u>Number of shares (thousand shares)</u>	<u>Amount</u>	<u>Number of shares (thousand shares)</u>	<u>Fair value</u>	
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>	-	<u>-</u>	-	<u>-</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	Shareholding percentage	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	(30,107)
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	(5)
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	(6,834)
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	(16)
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

MilDef Crete Inc.

Chairman: Shen Yitong