

**Mildef Crete Inc.**  
**Parent Company Only Financial**  
**Statements and Certified Public**  
**Accountant's Audit Report**  
**2023 and 2022**

**Company Address: 7F, No. 250, Section 3, Beishan Road, Shengkeng District,  
New Taipei City**

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***Notice to Reader:***

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

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## **Certified Public Accountant's Audit Report**

To the Board of Directors of Mildef Crete Inc.,:

### **Opinion**

We have audited the balance sheet of Mildef Crete Inc. as of December 31, 2022 and 2021, as well as the statements of comprehensive income, changes in equity and cash flows for January 1 to December 31, 2022 and 2021, 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, 2023 and 2022, its financial performance and cash flow for the periods from January 1 to December 31, 2023 and 2022.

### **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 Standalone 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 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 parent company only financial statements of Mildef Crete Inc. for the year 2023. These matters were addressed in the context of our audit of the standalone 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 standalone financial statements; for details on estimation and hypothesis uncertainty of inventory valuation, refer to Note 5 to the standalone financial statements; concerning provision for inventory write-down, refer to Note 6 (4) to the standalone financial statements.

#### **Explanations of key audit matters:**

Inventories shall be measured based on the cost or the net realizable 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 realizable value. The net realizable 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 Those Charged with Governance for the Standalone Financial Statements**

Management is responsible for the preparation and fair presentation of the standalone 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 standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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.

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of Mildef Crete Inc.

### **Accountants' Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone 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 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 standalone 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. The accountant also performs the following tasks:

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, misrepresentations, 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 standalone 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. 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 standalone financial statements.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 2023. 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

: Ching-Wen Kao  
Mei-Yan Chen

Competent Securities Authority's : FSC Review Letter No.1060005191.  
Approval Document No. : (88) Tai-Cai-Zheng (VI) No. 18311  
March 13, 2024

Mildef Crete Inc.  
Balance Sheets  
December 31, 2023

Unit: NT\$1000

Assets		2023.12.31		2022.12.31		Liabilities and equity		2023.12.31		2022.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6 (1))	\$ 217,417	6	428,173	13	2130	Contract liabilities - current (Notes 6 (15) and 7)	\$ 237,639	7	246,664	8
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	-	-	20,030	1	2150	Notes payable	30,480	-	47,670	-
1150	Notes and accounts receivable, net (Notes 6 (3) and (15))	119,101	4	95,529	3	2170	Accounts payable (Note 7)	120,498	4	152,666	5
1180	Accounts receivable - related parties, net (Notes 6 (3) & (15), 7)	310,481	9	11,683	-	2209	Other payables (Notes 6 (16) and 7)	136,928	4	98,459	3
1212	Other payables-related party (Note 7)	5,015	-	-	-	2230	Current income tax liabilities	99,638	3	36,230	1
130X	Inventories (Note 6 (4))	1,247,797	37	1,065,668	33	2280	Lease liabilities - current (Note 6 (9))	28,762	1	21,316	1
1476	Other financial assets - current (Note 6 (1))	206,100	6	206,100	6	2399	Other current liabilities	387	-	393	-
1479	Other current assets	16,166	-	25,009	1		Total current liabilities	654,332	19	603,398	18
Total current assets		2,122,077	62	1,852,192	57	2552	Provisions for warranty liabilities (Note 6 (10))	13,152	-	6,855	-
Non-current assets:						2570	Deferred income tax liabilities (Note 6 (12))	166,833	5	204,124	6
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))	865,975	25	1,054,500	32	2580	Lease liabilities - non-current (Note 6 (9))	29,127	1	13,550	1
1550	Investments accounted for using the equity method (Note 6 (5))	38,894	1	30,007	1	2640	Net defined benefit liabilities – non-current (Note 6 (11))	30,301	1	28,737	1
1600	Property, plant and equipment (Notes 6 (6) and 7)	227,564	7	222,025	7		Total non-current liabilities	239,413	7	253,266	8
1755	Right-of-use assets (Note 6 (7))	57,812	2	34,840	1		Total liabilities	893,745	26	856,664	26
1780	Intangible assets (Note 6 (8))	3,678	-	7,146	-	3100	Equity (Note 6 (13)):				
1840	Deferred income tax assets (Note 6 (12))	73,317	2	64,025	2	3200	Share capital	586,855	17	586,855	18
1900	Other non-current assets (Notes 7 and 8)	41,606	1	5,050	-	3300	Capital surplus	74,113	2	72,650	2
Total non-current assets		1,308,846	38	1,417,593	43	3400	Retained earnings	1,634,564	48	1,372,791	42
							Other equity	241,646	7	380,825	12
							Total equity	2,537,178	74	2,413,121	74
							Total liabilities and equity	\$ 3,430,923	100	3,269,785	100
Total assets		\$ 3,430,923	100	3,269,785	100						

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

**Mildef Crete Inc.**  
**Statements of Comprehensive Income**  
**January 1 to December 31 of 2023 and 2022**

		<b>Unit: NT\$1000</b>			
		<b>Fiscal Year 2023</b>		<b>Fiscal Year 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Notes 6 (15) and 7)</b>	\$ 2,984,261	100	2,706,970	100
5000	<b>Operating cost (Notes 6 (4), (6), (7), (8), (10), (11), (16), 7 and 12)</b>	<u>2,125,367</u>	<u>71</u>	<u>2,182,095</u>	<u>81</u>
	<b>Gross operating profit</b>	858,894	29	524,875	19
5910	Less: Unrealized gain from sales	<u>267</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Realized gross operating profit</b>	<u>858,627</u>	<u>29</u>	<u>524,875</u>	<u>19</u>
	<b>Operating expenses (Notes 6 (6), (7), (8), (9), (11), (16), 7 and 12):</b>				
6100	Selling and marketing expenses	162,821	5	175,311	6
6200	General and administrative expenses	52,238	2	41,035	1
6300	Research and development expenses	<u>85,565</u>	<u>3</u>	<u>69,796</u>	<u>3</u>
	<b>Total operating expenses</b>	<u>300,624</u>	<u>10</u>	<u>286,142</u>	<u>10</u>
	<b>Net operating profit</b>	<u>558,003</u>	<u>19</u>	<u>238,733</u>	<u>9</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6 (17))	9,371	-	8,827	-
7010	Other income (Notes 6 (9) and (17))	7,580	-	18,094	1
7020	Other gains and losses (Notes 6 (17) and (18))	(9,330)	-	13,383	1
7375	Recognition of profits from subsidiary companies using the equity method	6,571	-	13,382	-
7510	Finance costs (Notes 6 (9) and (17))	<u>(539)</u>	<u>-</u>	<u>(479)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>13,653</u>	<u>-</u>	<u>53,207</u>	<u>2</u>
	<b>Net profit before tax</b>	571,656	19	291,940	11
7950	<b>Minus: Income tax expense (Note 6 (12))</b>	<u>110,828</u>	<u>4</u>	<u>63,670</u>	<u>3</u>
	<b>Current net profit</b>	<u>460,828</u>	<u>15</u>	<u>228,270</u>	<u>8</u>
8300	<b>Other comprehensive income (Notes 6 (11), (12), (13), and (18)):</b>				
8310	<b>Items not reclassified as income and loss</b>				
8311	Defined benefits plans remeasurement	(4,685)	-	15,452	1
8316	Unrealized gain (loss) on investments in equity instruments as at fair value through other comprehensive income	(153,658)	(5)	330,478	12
8349	Minus: Income tax related to items not reclassified	<u>(31,357)</u>	<u>(1)</u>	<u>70,159</u>	<u>2</u>
	<b>Total amount of items not reclassified to profit or loss</b>	<u>(126,986)</u>	<u>(4)</u>	<u>275,771</u>	<u>11</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	20	-	-	-
8399	Minus: Income tax related to potentially reclassifiable items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total amount of items that may be reclassified subsequently to profit or loss</b>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>(126,966)</u>	<u>(4)</u>	<u>275,771</u>	<u>11</u>
	<b>Total amount of other current comprehensive gains and losses</b>	<u>\$ 333,862</u>	<u>11</u>	<u>504,041</u>	<u>19</u>
	<b>Earnings per share (NT\$; (Note 6 (14))</b>				
	<b>Basic earnings per share</b>	<u>\$ 7.85</u>		<u>3.89</u>	
	<b>Diluted earnings per share</b>	<u>\$ 7.74</u>		<u>3.83</u>	

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping



**Mildef Crete Inc.**  
**Statement of Changes in Equity**  
**January 1 to December 31 of 2023 and 2022**

**Unit: NT\$1000**

	Retained earnings						Other Equity Items				Total equity
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences arising from the translation of Financial Report of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Defined benefits plans remeasurement	Total	
<b>Balance on January 1, 2022</b>	\$ 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 income	-	-	-	-	-	-	-	263,409	12,362	275,771	275,771
Total amount of other current comprehensive gains and losses	-	-	-	-	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)
<b>Balance on December 31, 2022</b>	586,855	72,650	519,751	-	853,040	1,372,791	-	387,473	(6,648)	380,825	2,413,121
Current net profit	-	-	-	-	460,828	460,828	-	-	-	-	460,828
Other comprehensive income	-	-	-	-	-	-	20	(123,238)	(3,748)	(126,966)	(126,966)
Total amount of other current comprehensive gains and losses	-	-	-	-	460,828	460,828	20	(123,238)	(3,748)	(126,966)	333,862
Appropriation and distribution of earnings:											
Legal reserve	-	-	22,827	-	(22,827)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(211,268)	(211,268)	-	-	-	-	(211,268)
Differences between equity price paid and book value of subsidiaries disposed of	-	1,463	-	-	-	-	-	-	-	-	1,463
Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2))	-	-	-	-	12,213	12,213	-	(12,213)	-	(12,213)	-
<b>Balance on December 31, 2023</b>	\$ 586,855	74,113	542,578	-	1,091,986	1,634,564	20	252,022	(10,396)	241,646	2,537,178

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

**Mildef Crete Inc.**  
**Statement of Cash Flow**  
**January 1 to December 31 of 2023 and 2022**

**Unit: NT\$1000**

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 571,656	291,940
<b>Adjustments for:</b>		
Profit and loss		
Depreciation expense	43,368	41,507
Amortization expense	4,543	5,139
Net gain on financial assets at fair value through profit or loss	(339)	(225)
Interest expense	539	479
Interest income	(9,371)	(8,827)
Dividend income	(6,796)	(16,338)
Share of gain/loss of associates recognized under equity method	(6,571)	(13,382)
Disposal of property, plant and equipment	63	-
Unrealized gain from sales	267	-
Total profit/(loss)	25,703	8,353
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Increase in notes and accounts receivable	(23,572)	(30,173)
Decrease (increase) in accounts receivable from related parties	(298,798)	(5,307)
Other payable (increase) from related parties	(11)	-
Increase in inventories	(182,129)	(135,418)
Decrease (increase) in other current assets	9,792	(6,749)
Total net changes in assets related to operating activities	(494,718)	(177,647)
Net changes in liabilities related to operating activities		
Increase (decrease) in contract liabilities	(9,025)	(17,247)
Increase (decrease) in notes payable	(17,190)	25,860
Increase (decrease) in accounts payable	(32,168)	39,371
Increase in provisions for warranty liabilities	6,297	2,320
Increase (decrease) in other payables and other current liabilities	38,463	(9,200)
Decrease in net defined benefit liabilities	(3,121)	(8,794)
Total amount of net changes in liabilities related to operating activities	(16,744)	32,310
Total amount of net changes in assets and liabilities related to operating activities	(511,462)	(145,337)
Total adjustments	(485,759)	(136,984)
Net cash generated from/(used in) operations	85,897	154,956
Interest received	9,371	8,827
Income tax paid	(61,803)	(82,085)
<b>Net cash inflow from operating activities</b>	33,465	81,698
<b>Cash flows from investing activities:</b>		
Disposal of financial assets at fair value through other comprehensive income	34,867	-
Purchase of financial assets at fair value through profit or loss	(40,000)	(20,000)
Disposal of financial assets at fair value through profit or loss	60,369	120,260
Investments accounted for using the equity method	(12,548)	-
Acquisition of property, plant and equipment	(20,666)	(15,293)
Decrease (increase) in other non-current assets	(2,389)	1
Acquisition of intangible assets	(1,075)	(4,520)
Decrease in other financial assets	-	39,920
Rise in payments for prepaid equipment	(34,167)	-
Dividends received	6,408	26,002
<b>Net cash inflow from investing activities</b>	(9,201)	146,370
<b>Cash flows from financing activities:</b>		
Payment of the principal portion of lease liabilities	(28,253)	(27,626)
Payments of cash dividends	(211,268)	(217,137)
Disposal of equity in subsidiaries (without control lost)	5,040	-
Interests paid	(539)	(479)
<b>Net cash outflow from financing activities</b>	(235,020)	(245,242)
Decrease in cash and cash equivalents in this period	(210,756)	(17,174)
Opening balance of cash and cash equivalents in the consolidated statements of cash flows	428,173	445,347
Closing balance of cash and cash equivalents in the consolidated statements of cash flows	<b>\$ 217,417</b>	<b>428,173</b>

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

Chairman: Shen Yi-Tong

Manager: Shen Yi-Tong

Accounting Manager: Liu Ya-Ping

**Mildef Crete Inc.**  
**Notes to Parent Company Only Financial Statements**  
**Fiscal Years of 2023 and 2022**  
**(In NT\$ thousand, except otherwise specified)**

**I. Company History**

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

**II. Date and Procedure for Approval of Financial Statements**

This parent company only financial report was approved by the Board of Directors on March 13, 2024.

**III. Application of New and Amended Standards and Interpretations**

- (I) Effect of the application of new and amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) as endorsed by the Financial Supervisory Commission (FSC)

The following newly amended International Financial Reporting Standards (IFRS) were applied by the Company from January 1, 2023, and did not have a significant impact on the parent company only 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”

The following newly amended International Financial Reporting Standards (IFRS) were applied by the Company from May 23, 2023, and did not have a significant impact on the parent company only financial statements.

- Amendments to IAS 12 “International Tax Reform- Pillar Two Model Rules”

- (II) Effect of the IFRSs as endorsed by the FSC, but not yet adopted

The Company assesses that the application of the following newly amended International Financial Reporting Standards, effective on January 1, 2024, will not have significant impacts on the parent company only financial statements.

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

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Contractual Terms”
- Amendments to IAS 7 and IFRS 7 “supplier finance arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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 Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

## IV. Summary of Significant Accounting Policies

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

### (I) Declaration of compliance

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

### (II) Basis of preparation

#### 1. Basis of measurement

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

- (1) Financial assets measured at fair value through profit or loss
- (2) Financial assets at fair value through other comprehensive income
- (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 (15) 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.

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

### (III) Foreign currency

#### 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 income.

#### 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 income.

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.

If there is no settlement plan for monetary receivables or payables from foreign operating entities, and it is not possible to settle them in the foreseeable future, any foreign exchange gains or losses arising from them are recognized as part of the net investment in the foreign operating entity and classified as other comprehensive income.

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

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

1. 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.

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

4. The asset is considered to be cash or cash equivalents, unless it is exchanged or used to settle liabilities within twelve months after the reporting period, and is subject to any other applicable restrictions.

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 does not have the unconditional right to extend the repayment period of liabilities for at least twelve months after the reporting period. The counterparty has the option to settle the liabilities by issuing equity instruments, without impacting their classification.

### (IV) 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.

### (V) 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 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 income 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 amortization cost

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

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

- 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 amortized 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 income

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 income. 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 income. When derecognizing, other comprehensive income 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 that are not measured at amortized cost or at fair value through other comprehensive income (such as those held for trading and those managed and evaluated for performance on a fair value basis), including derivative financial assets, are measured at fair value through profit or loss. 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 amortization or other comprehensive income 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

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

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 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 amortized 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 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.



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

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 collectible 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 amortized 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.

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

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

Financial liabilities are classified as being at amortized cost. Financial liabilities that are held for trading, derivatives, or designated at initial recognition are classified as being measured at fair value through profit or loss. Financial liabilities that are measured at fair value through profit or loss are recognized at their fair value. Any resulting net income or loss, including interest expenses, is recorded in the income statement.

Financial liabilities measured at amortization cost are subsequently measured at cost after amortization 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.

## (VII) 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 amortized into finished good and work in process according to the normal capacity of production facilities, while the variable production overheads are amortized based on the actual production output. Thereafter, it is calculated at the lower of the cost and net realizable value. The cost is calculated by the monthly weighted average method. The net realizable 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.

## (VIII) Investment in Subsidiary

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

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

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

### (IX) Property, plant and equipment

#### 1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalization 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 equipment:         | 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.

**(X) 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 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.

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

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.

### (XI) Intangible assets

Intangible assets are the cost of software purchased externally, which are measured at cost less the accumulated amortization and accumulated impairment, and are amortized 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 amortization period and the amortization method at each reporting date. Changes in residual value, amortization period and amortization method are considered as changes in accounting estimates.

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

### (XIII) Provision for Liabilities

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

The provision for warranty liabilities is recognized 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.

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

### (XIV) Revenue from customer 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 the 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.

### (XV) Employee benefits

#### 1. Defined contribution plan

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

#### 2. Defined benefit plan

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.

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

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 income 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.

## (XVI) 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 income, income tax and deferred income tax for the current period are recognized in profit or loss.

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:

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

1. Assets or liabilities that are not initially recognized in transactions that are not business combinations and do not (i) impact accounting profit and taxable income (loss) at the time of the transaction, and (ii) do not create equal temporary differences for taxable and deductible purposes.
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.

### (XVII) 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 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.



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

### (XVIII) Segment Information

The Company has disclosed division information in the consolidated financial statements.

Therefore, the parent company only financial statements do not disclose division information.

### V. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

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 judgments, 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 vary from estimates, and we will continually assess and adapt based on historical experience and other factors.

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 realizable value, the Company must use judgment and evaluation to determine the net realizable 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 realizable 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. Description of Significant Accounts

#### (I) Cash and cash equivalents

	<u>2023.12.31</u>	<u>2022.12.31</u>
Cash on hand	\$ 402	372
Checks and demand deposits	217,015	427,801
	<u>\$ 217,417</u>	<u>428,173</u>

On December 31 of 2023 and 2022, bank time deposits with original maturities exceeding three months were NT\$206,100,000 reported under other financial assets - current

#### (II) Financial instruments

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

	<u>2023.12.31</u>	<u>2022.12.31</u>
Money funds	\$ -	<u>20,030</u>

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

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

2. Financial assets measured at fair value through other comprehensive income — non-current

Financial assets measured at fair value through other comprehensive income:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Unlisted stocks	\$ 18,262	19,819
Overseas stocks	847,713	1,034,681
Total	<u><u>\$ 865,975</u></u>	<u><u>1,054,500</u></u>

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 income.

During the 2023, the Consolidated Company sold a portion of the aforementioned shares of foreign-listed companies as part of its investment strategy. The fair value at the time of disposal was NT\$34,867,000, with accumulated disposal gains totaling NT\$12,213,000. The aforementioned accumulated gains have been transferred from other equity to retained earnings. No strategic investments were disposed of during fiscal year 2022 of our company, and the accumulated gains and losses from that period were not transferred within the equity.

Information on significant equity investments in foreign currencies on the balance sheet date is as follows:

	<u>2023.12.31</u>			<u>2022.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NT\$</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NT\$</u>
EUR	\$ 537	33.98	18,262	575	32.72	18,819
SEK	275,231	3.08	847,713	351,932	2.94	1,034,621

As of December 31, 2023 and 2022, none of the above financial assets of the Company provided pledge guarantees.

### (III) Notes and accounts receivable (related parties)

	<u>2023.12.31</u>	<u>2022.12.31</u>
Notes and accounts receivable	\$ 119,101	95,529
Accounts receivable from related parties	310,481	11,683
Less: Allowance for losses	-	-
	<u><u>\$ 429,582</u></u>	<u><u>107,212</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:

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

	<b>2023.12.31</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average expected credit loss ratio</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	\$ 395,273	0.00000%	-
Payment is due within 30 days	34,309	0.00003%	-
	<b><u>\$ 429,582</u></b>		<b><u>-</u></b>
	<b>2022.12.31</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average expected credit loss ratio</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	<b><u>\$ 107,212</u></b>	0.00001%	<b><u>-</u></b>

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

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Opening balance	\$ -	723
Amount written off due to irrecoverability for the year	-	(723)
Ending balance	<b><u>\$ -</u></b>	<b><u>-</u></b>

(IV) Inventories

	<b>2023.12.31</b>	<b>2022.12.31</b>
Merchandise	\$ 111,024	181,895
Finished goods	797	3,051
Semi-finished goods	128,256	153,820
Work in process	382,176	231,888
Raw materials	625,544	495,014
	<b><u>\$ 1,247,797</u></b>	<b><u>1,065,668</u></b>

The breakdown of the cost of goods sold is as follows:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Costs of inventories sold	\$ 2,089,845	2,162,427
Warranty provision	10,424	5,970
Inventory valuation loss	25,098	13,698
	<b><u>\$ 2,125,367</u></b>	<b><u>2,182,095</u></b>

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

The above inventory valuation loss is recognized by the consolidated company due to the write-down of the inventory to the net realizable value and is recognized under the accounts of operating costs.

### (V) Investments accounted for using the equity method

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

	<u>2023.12.31</u>	<u>2022.12.31</u>
Subsidiaries	<u>\$ 38,894</u>	<u>30,007</u>

1. For additional information, please consult the consolidated financial report for the fiscal year 2023.
2. On March 6, 2023, our company sold 7.6% equity of subsidiary Flexbasis to our key management personnel for a cash consideration of NT\$5,040,000. The change in equity value is recognized in the capital surplus account as the difference between the actual disposal value of the subsidiary's equity and its book value, totaling NT\$1,463,000.

### (VI) Property, plant and equipment

	<u>Land</u>	<u>Houses and Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:							
Balance on January 1, 2023	\$ 147,478	72,775	61,146	6,042	596	80,573	368,610
Additions	-	2,834	4,649	-	1,250	11,933	20,666
Disposal	-	-	(290)	-	-	(5,356)	(5,646)
Balance on December 31, 2023	<u>\$ 147,478</u>	<u>75,609</u>	<u>65,505</u>	<u>6,042</u>	<u>1,846</u>	<u>87,150</u>	<u>383,630</u>
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>\$ 147,478</u>	<u>72,775</u>	<u>61,146</u>	<u>6,042</u>	<u>596</u>	<u>80,573</u>	<u>368,610</u>
Accumulated depreciation:							
Balance on January 1, 2023	\$ -	27,169	50,038	4,508	285	64,585	146,585
Depreciation for current year	-	2,925	2,452	607	139	8,941	15,064
Disposal	-	-	(273)	-	-	(5,310)	(5,583)
Balance on December 31, 2023	<u>\$ -</u>	<u>30,094</u>	<u>52,217</u>	<u>5,115</u>	<u>424</u>	<u>68,216</u>	<u>156,066</u>
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

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

	Land	Houses and Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Disposal	-	-	-	-	-	(585)	(585)
Balance on December 31, 2022	\$ -	27,169	50,038	4,508	285	64,585	146,585
Book value:							
December 31, 2023	\$ 147,478	45,515	13,288	927	1,422	18,934	227,564
January 1, 2022	\$ 147,478	47,475	10,473	2,443	353	12,368	220,590
December 31, 2022	\$ 147,478	45,606	11,108	1,534	311	15,988	222,025

(VII) Right-of-use assets

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

	Houses and Buildings
Cost of right-of-use assets:	
Balance on January 1, 2023	\$ 123,314
Additions	51,276
Decrease	(1,777)
Balance on December 31, 2023	<u>\$ 172,813</u>
Balance on January 1, 2022	\$ 110,228
Additions	34,880
Lease modification	(55)
Decrease	(21,739)
Balance on December 31, 2022	<u>\$ 123,314</u>
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2023	\$ 88,474
Depreciation in this period	28,304
Decrease	(1,777)
Balance on December 31, 2023	<u>\$ 115,001</u>
Balance on January 1, 2022	\$ 76,412
Depreciation in this period	27,649
Decrease	(15,587)
Balance on December 31, 2022	<u>\$ 88,474</u>
Book value:	
December 31, 2023	<u>\$ 57,812</u>
January 1, 2022	<u>\$ 33,816</u>
December 31, 2022	<u>\$ 34,840</u>

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

(VIII) Intangible assets

	<b>Computer software</b>
Cost:	
Balance on January 1, 2023	\$ 39,299
Additions in current period	<u>1,075</u>
Balance on December 31, 2023	<u><b>\$ 40,374</b></u>
Balance on January 1, 2022	\$ 34,779
Additions in current period	<u>4,520</u>
Balance on December 31, 2022	<u><b>\$ 39,299</b></u>
Accumulated amortization:	
Balance on January 1, 2023	\$ 32,153
Amortization in current period	<u>4,543</u>
Balance on December 31, 2023	<u><b>\$ 36,696</b></u>
Balance on January 1, 2022	\$ 27,014
Amortization in current period	<u>5,139</u>
Balance on December 31, 2022	<u><b>\$ 32,153</b></u>
Book value:	
Balance on December 31, 2023	<u><b>\$ 3,678</b></u>
Balance on January 1, 2022	<u><b>\$ 7,765</b></u>
Balance on December 31, 2022	<u><b>\$ 7,146</b></u>

Amortization expenses of intangible assets in 2023 and 2022 which are included under the consolidated statements of comprehensive income:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Operating costs	\$ 1,307	1,161
Operating expenses	3,236	3,978
Total	<u><b>\$ 4,543</b></u>	<u><b>5,139</b></u>

(IX) Lease liabilities

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

	<b>2023.12.31</b>	<b>2022.12.31</b>
Current	<u><b>\$ 28,762</b></u>	<u><b>21,316</b></u>
Non-current	<u><b>\$ 29,127</b></u>	<u><b>13,550</b></u>

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

The amount recognized in profit or loss is as follows:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Interest expenses on lease liabilities	<u><b>\$ 491</b></u>	<u><b>462</b></u>
Short-term lease expenses	<u><b>\$ 269</b></u>	<u><b>307</b></u>
COVID-19-related rent concessions	<u><b>\$ 15</b></u>	<u><b>254</b></u>

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

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

	Fiscal Year 2023	Fiscal Year 2022
Total cash outflow from leases	<u>\$ 29,013</u>	<u>28,395</u>

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, 2023	\$ 6,855
Provision for new liabilities in the current period	10,424
Provision for liabilities used in the current period	(4,127)
Balance on December 31, 2023	<u>\$ 13,152</u>
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>

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

### (XI) Employee benefits

#### 1. Defined benefit plan

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

	2023.12.31	2022.12.31
Present value of defined benefit obligation	\$ 87,674	96,319
Fair value of planned assets	(57,373)	(67,582)
Net defined benefit liabilities	<u>\$ 30,301</u>	<u>28,737</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.

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

### (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, 2023 and 2022, the balance of the Consolidated Company’s banking labor retirement reserve account in Taiwan amounted to NT\$57,373,000 and NT\$67,582,000, 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:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Defined benefit obligations as of January 1	\$ 96,319	110,774
Current service cost	134	121
Interest cost	1,662	684
Retirement benefits paid - special account for employee pension reserve	(15,348)	(4,397)
Net remeasurement of defined benefit liabilities		
— Actuarial losses (gains) arising from adjustments based on experience	3,960	(810)
— Actuarial losses (gains) arising from changes in demographic assumptions	947	(10,053)
Defined benefit obligations on December 31	<b><u>\$ 87,674</u></b>	<b><u>96,319</u></b>

### (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:



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

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Fair value of defined benefit planned assets on January 1	\$ 67,582	57,791
Amount allocated to plan	3,726	9,234
Interest income	1,191	365
Amount of retirement fund paid	(15,348)	(4,397)
Net remeasurement of defined benefit liabilities		
— Return on defined benefit planned assets (excluding current interest)	222	4,589
Fair value of defined benefit planned assets on December 31	<b><u>\$ 57,373</u></b>	<b><u>67,582</u></b>

(4) Changes in cap asset effects

The Company had no cap asset effect change in the 2023 defined benefit plan and the 2022 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:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Current service cost	\$ 134	121
Interest on net defined benefit liabilities	471	319
	<b><u>\$ 605</u></b>	<b><u>440</u></b>
Operating costs	\$ 330	175
Operating expenses	275	265
	<b><u>\$ 605</u></b>	<b><u>440</u></b>

(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:

	<b>2023.12.31</b>	<b>2022.12.31</b>
Discount rate	1.625%	1.750%
Future salary increase rate	3.00%	3.00%

The Company is expected to allocate a payment of NT\$3,855,000 to the defined benefit plan within one year following December 31, 2023.

The weighted average duration of defined benefit plans is 13.05 years.

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

### (7) Sensitivity analysis

As of December 31, 2023 and December 31, 2022, the net recorded amounts of the company's defined benefit liabilities were NT\$30,301,000 and NT\$28,737,000, respectively. After applying a discount rate and adjusting for changes in employee salary rates by 0.25%, the changes in the present value of the company's defined benefit obligations as of December 31, 2023 and December 31, 2022 are as follows:

<b>2023.12.31</b>				
	<b>Discount rate</b>		<b>Rate of salary changes</b>	
	<b>Increase of</b>	<b>Decrease of</b>	<b>Increase of</b>	<b>Decrease of</b>
	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>
Increase (decrease) in present value of defined benefit obligations	\$ (1,874)	1,935	1,872	(1,822)

  

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

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 plan

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.

The retirement expenses under our company's retirement pension scheme for fiscal years 2023 and 2022 were NT\$10,827,000 and NT\$10,765,000, 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 2023 and 2022 are as follows:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Income tax expenses in current period		
Income tax from current income	\$ 125,717	79,079
Adjustment of current income tax incurred in the preceding period	(2,716)	(14,838)
	<u>123,001</u>	<u>64,241</u>
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(12,173)	(571)
Income tax expenses	<b><u>\$ 110,828</u></b>	<b><u>63,670</u></b>

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

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Defined benefits plans remeasurement	\$ (937)	3,090
Financial assets at fair value through other comprehensive income	(33,473)	67,069
Disposal of financial assets at fair value through other comprehensive income	3,053	-
Total	<b><u>\$ (31,357)</u></b>	<b><u>70,159</u></b>

Adjustments between the income tax expenses in 2023 and 2022 and the net profit before tax of the Company are as follows:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Net profit before tax	<b><u>\$ 571,656</u></b>	<b><u>291,940</u></b>
Income tax calculated at the domestic tax rate of the Company	\$ 114,331	58,388
Early-stage overestimation	(2,716)	(14,838)
Surtax on undistributed earnings	-	19,006
Others	(787)	1,114
	<b><u>\$ 110,828</u></b>	<b><u>63,670</u></b>

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

### 2. Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities in 2023 and 2022 are as follows:

Deferred income tax assets:

	Defined benefit plan	Allowance for Loss on Inventory Valuation	Others	Total
<b>January 1, 2023</b>	\$ 4,679	53,679	5,667	64,025
Statement of profit or loss - credit (debit)	(624)	5,020	3,959	8,355
Other comprehensive income - credit (debit)	937	-	-	937
<b>December 31, 2023</b>	<b>\$ 4,992</b>	<b>58,699</b>	<b>9,626</b>	<b>73,317</b>
<b>January 1, 2022</b>	\$ 9,528	50,940	6,076	66,544
Statement of profit or loss - credit (debit)	(1,759)	2,739	(409)	571
Other comprehensive income - credit (debit)	(3,090)	-	-	(3,090)
<b>December 31, 2022</b>	<b>\$ 4,679</b>	<b>53,679</b>	<b>5,667</b>	<b>64,025</b>

Deferred income tax liabilities:

	Financial assets at fair value through other comprehensive income
<b>January 1, 2023</b>	\$ 204,124
Statement of profit or loss - debit (credit)	(3,818)
Other comprehensive income - debit (credit)	(33,473)
<b>December 31, 2023</b>	<b>\$ 166,833</b>
<b>January 1, 2022</b>	\$ 137,055
Other comprehensive income - debit (credit)	67,069
<b>December 31, 2022</b>	<b>\$ 204,124</b>

3. The Company has submitted tax return applications until the year of 2021, as prescribed by the tax authority, upon settlement and audit.

### (XIII) Capital and other equity

#### 1. Ordinary share capital

As of December 31, 2023 and 2022, our company had an authorized capital of NT\$700,000,000, with a par value of NT\$10 per share. The total number of shares was 70,000,000, divided equally, and the number of issued shares was 58,685,000.

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

### 2. Capital surplus

The capital surplus for this fiscal year is composed of the following items:

	<b>2023.12.31</b>	<b>2022.12.31</b>
Premium on share issuance	\$ 72,650	72,650
Difference between actual disposal of subsidiary equity and book value	1,463	-
	<b><u>\$ 74,113</u></b>	<b><u>72,650</u></b>

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 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.

At the shareholders' meetings held on June 14, 2023, and June 9, 2022, respectively, the company resolved to distribute dividends for the fiscal years 2022 and 2021. The details of the dividends distributed to the shareholders are as follows:

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

	Fiscal Year 2022		Fiscal Year 2021	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 3.60	<u>211,268</u>	3.70	<u>217,137</u>

On March 13, 2024, the Board of Directors proposed the following earning distribution scheme for 2023:

	Fiscal Year 2023	
	Dividend per share (NT\$)	Amount
Dividends distributed to owners of ordinary shares:		
Cash	\$ 5.40	<u>316,902</u>

4. Other equity (net after-tax)

	Exchange differences arising from the translation of Financial Report of foreign operations	Unrealized gain or loss on financial assets at fair value measurement through other comprehensive income	Remeasuremen t of defined benefit plan	Total
Balance on January 1, 2023	\$ -	387,473	(6,648)	380,825
Exchange differences arising from the net assets of foreign operations	20	-	-	20
Unrealized loss on financial assets at fair value through other comprehensive income	-	(123,238)	-	(123,238)
Determination of net after tax actuarial gains and losses of benefit plans	-	-	(3,748)	(3,748)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(12,213)	-	(12,213)
Balance on December 31, 2023	<u>\$ 20</u>	<u>252,022</u>	<u>(10,396)</u>	<u>241,646</u>
Balance on January 1, 2022	\$ -	124,064	(19,010)	105,054
Unrealized gains on financial assets at fair value measurement through other comprehensive income	-	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>\$ -</u>	<u>387,473</u>	<u>(6,648)</u>	<u>380,825</u>

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

(XIV) Earnings per share

1. Basic earnings per share

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Net income attributable to holders of the Company's ordinary shares	\$ <b>460,828</b>	<b>228,270</b>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<b>58,685</b>	<b>58,685</b>
Basic earnings per share (NT\$)	\$ <b>7.85</b>	<b>3.89</b>

2. Diluted earnings per share

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Net income attributable to holders of the Company's ordinary shares	\$ <b>460,828</b>	<b>228,270</b>
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685
The effect of employee remuneration	852	861
Weighted average number of outstanding ordinary shares (After adjustment for the effect of dilutive potential ordinary shares)	<b>59,537</b>	<b>59,546</b>
Diluted earnings per share (NT\$)	\$ <b>7.74</b>	<b>3.83</b>

(XV) Revenue from customer contracts

1. Breakdown of income

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Major sales market:		
Taiwan	\$ 1,836,053	1,989,277
Germany	785,726	336,373
The UK	106,802	56,932
Sweden	100,917	117,723
U.S.	93,275	195,646
Others	61,488	11,019
	\$ <b>2,984,261</b>	<b>2,706,970</b>
Main product/service lines:		
Business computer	\$ 1,432,326	1,790,672
Rugged computer	1,491,564	846,588
Repair and maintenance services and others	60,371	69,710
	\$ <b>2,984,261</b>	<b>2,706,970</b>



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

### 2. Contract balance

	2023.12.31	2022.12.31	2022.1.1
Notes and accounts receivable	\$ 429,582	107,212	72,455
Less: Allowance for losses	-	-	(723)
Total	<u>\$ 429,582</u>	<u>107,212</u>	<u>71,732</u>
Contract liabilities (including related parties) — products sales	<u>\$ 237,639</u>	<u>246,664</u>	<u>263,911</u>

Please refer to Note 6(3) for the notes and accounts receivable and impairment thereof disclosed.

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 initial balance of contract liabilities on January 1, 2023 and 2022, which were recognized as revenue in the fiscal year 2023 and 2022, respectively, amounted to NT\$78,600,000 and NT\$87,474,000, respectively.

### (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, it shall reserve an amount to compensate a deficit in advance if the Company has a cumulative deficit. 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 2023 and 2022 amounted to NT\$61,896,000 and NT\$31,608,000, respectively. The director's estimated remuneration amounted to NT\$12,634,000 and NT\$6,335,000, 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 2023 and 2022. 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 2023 and 2022 financial statements of the Company, and is fully distributed in cash. For relevant information, please refer to the Market Observation Post System (MOPS).

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

(XVII) Non-operating income and expenses

1. Interest income

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Interest income		
Interest income from cash in banks	\$ 4,977	2,838
Other interest income	4,394	5,989
	<b><u>\$ 9,371</u></b>	<b><u>8,827</u></b>

2. Other income

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Dividend income	\$ 6,796	16,338
COVID-19-related rent reductions	15	254
Others	769	1,502
	<b><u>\$ 7,580</u></b>	<b><u>18,094</u></b>

3. Other gains and losses

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Foreign exchange gains (losses)	\$ (9,466)	13,155
Gains on financial assets measured at fair value through profit or loss	339	225
Disposal of property, plant and equipment	(63)	-
Others	(140)	3
	<b><u>\$ (9,330)</u></b>	<b><u>13,383</u></b>

4. Financial cost

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Interest expense		
Lease liabilities	\$ (491)	(462)
Others	(48)	(17)
	<b><u>\$ (539)</u></b>	<b><u>(479)</u></b>

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

### (XVIII) Financial instruments

#### 1. Types of financial instruments

##### (1) Financial assets

	<u>2023.12.31</u>	<u>2022.12.31</u>
Financial assets at fair value through profit or loss - current:		
Money funds	\$ -	20,030
Financial assets at fair value through other comprehensive income - non-current:		
Unlisted stocks	18,262	19,819
Overseas listed stocks	847,713	1,034,681
Financial assets at amortized cost:		
Cash and cash equivalents	217,417	428,173
Notes and accounts receivable (related parties)	429,582	107,212
Other payables (including related parties)	5,015	-
Other financial assets - current	206,100	206,100
Other non-current assets - guarantee deposits paid	<u>7,439</u>	<u>5,050</u>
Total	<u><u>\$ 1,731,528</u></u>	<u><u>1,821,065</u></u>

##### (2) Financial liabilities

	<u>2023.12.31</u>	<u>2022.12.31</u>
Financial liabilities at amortized cost:		
Lease liabilities	\$ 57,889	34,886
Notes and accounts payable (including related parties)	150,978	200,336
Other payables (including related parties)	<u>136,928</u>	<u>98,459</u>
Total	<u><u>\$ 345,795</u></u>	<u><u>333,681</u></u>

#### 2. Credit risk

##### (1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount of credit risk exposure. The maximum credit exposure of our company for December 31, 2023 and 2022 was NT\$1,731,528,000 and NT\$1,821,065,000, respectively.

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

### (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, 2023 and 2022, a total of 99% and 88% 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 contract maturity date of the Company's financial liabilities, including the estimated interest, is analyzed as follows:

	<b>Contractual cash flows</b>	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>1-2 year(s)</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
<b>December 31, 2023</b>						
Notes and accounts payable (including related parties)	\$ (150,978)	(150,978)	-	-	-	-
Lease liabilities	(59,076)	(15,243)	(14,173)	(17,348)	(12,312)	-
Other payables (including related parties)	(136,928)	(136,928)	-	-	-	-
	<b>\$ (346,982)</b>	<b>(303,149)</b>	<b>(14,173)</b>	<b>(17,348)</b>	<b>(12,312)</b>	<b>-</b>
<b>December 31, 2022</b>						
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)	-	-	-	-
	<b>\$ (334,130)</b>	<b>(312,691)</b>	<b>(7,719)</b>	<b>(9,087)</b>	<b>(4,633)</b>	<b>-</b>

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. 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:

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

	2023.12.31			2022.12.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial</u>						
<u>assets</u>						
<u>Monetary</u>						
<u>item</u>						
USD	\$ 13,645	30.705	418,970	4,819	30.710	147,991
<u>Financial</u>						
<u>liabilities</u>						
<u>Monetary</u>						
<u>item</u>						
USD	91	30.705	2,794	18	30.710	553

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 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, 2023 and 2022, 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 2023 and 2022 will increase or decrease by NT\$4,162,000 and NT\$1,474,000, respectively. The same basis was used for analyses for both periods.

(3) Exchange gains or losses incurred from monetary items

Due to the diverse functional currencies within the consolidated company, the information on foreign exchange gains or losses related to monetary items is disclosed on an aggregated basis. The foreign exchange (losses) gains (including realized and unrealized) for the 2023 and 2022 were (NT\$9,466,000) and NT\$13,155,000, respectively.

5. Interest rate risk

As of December 31, 2023 and 2022, 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 at fair value

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

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

### (2) Financial instruments at fair value through profit or loss

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

- A. Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- B. Level 2: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices) for assets or liabilities.
- C. Level 3: Unobservable inputs for assets or liabilities not based on observable market data (unobservable inputs).

		2023.12.31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - non-current					
Unlisted stocks	\$ 18,262	-	-	18,262	18,262
Overseas stocks	847,713	847,713	-	-	847,713
	<b>\$ 865,975</b>	<b>847,713</b>	<b>-</b>	<b>18,262</b>	<b>865,975</b>
		2022.12.31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current					
Money funds	<b>\$ 20,030</b>	<b>20,030</b>	-	-	<b>20,030</b>
Financial assets at fair value through other comprehensive income - non-current					
Unlisted stocks	\$ 19,819	-	-	19,819	19,819
Overseas stocks	1,034,681	1,034,681	-	-	1,034,681
	<b>\$ 1,054,500</b>	<b>1,034,681</b>	<b>-</b>	<b>19,819</b>	<b>1,054,500</b>

There is no fair-value measured financial assets and liabilities hierarchy transferring in 2023 and 2022.

### (3) Fair value valuation techniques for financial instruments at fair value

When the quoted market price of a financial instrument is available, the price shall be adopted as the 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 quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Company refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the balance sheet date.

The unlisted/non-OTC 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

	<b>Financial assets at fair value through other comprehensive income</b>
	<b>Equity instruments</b>
January 1, 2023	\$ 19,819
Total profit or loss	
Recognized in other comprehensive income	(1,557)
December 31, 2023	<u><u>\$ 18,262</u></u>
January 1, 2022	\$ 24,683
Total profit or loss	
Recognized in other comprehensive income	(4,864)
December 31, 2022	<u><u>\$ 19,819</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 income" in the statement of comprehensive income.

### (5) Quantitative information on measurement of significant unobservable fair value input (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 income.

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

Quantitative information on significant unobservable inputs is listed as follows:

Item	Valuation technique	Significant unobservable input	Relations between significant unobservable input and fair value
Financial assets at fair value through other comprehensive income - unlisted stocks	Discounted cash flow method	• Cost of equity capital (as of December 31, 2023 and December 31, 2022 was 11.22% and 7.56%, respectively).	• The higher the cost ratio of shareholders' equity funds, the lower the fair value

- (6) Analysis of sensitivity of Level 3 fair value to reasonably 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 2023 and 2022, in case of changes in the valuation parameters, the impact on other comprehensive income in the current period is as follows:

			Changes in fair value reflected in other comprehensive income	
	Input	Increase or decrease change	Favorable change	Unfavorable change
December 31, 2023				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	\$ 113	112
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	\$ 126	124



## 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.

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

### 2. Liquidity risk

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

### 3. Market risk

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

#### (1) Exchange rate risk

The Company is exposed to exchange rate risk arising from sales and purchasing transactions that are not denominated in the functional currency (NT\$) of the Company. The major currency in which these transactions are denominated in USD. The management of our company believes that, in addition to effectively managing the company's foreign currency net exposure within acceptable levels, the exchange rate risk for our company is not significant.

#### (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.

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

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 prices of equity instruments increase or decrease by 5%, the amounts of other comprehensive income for fiscal years 2023 and 2022 will increase or decrease by NT\$42,386 and NT\$51,734, 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:

	<b>2023.12.31</b>	<b>2022.12.31</b>
Total liabilities	\$ 893,745	856,664
Less: cash and cash equivalents	217,417	428,173
Net liabilities	<b>\$ 676,328</b>	<b>428,491</b>
Total equity	<b>\$ 2,537,178</b>	<b>2,413,121</b>
Capital and liability ratio	<b>26.66%</b>	<b>17.76%</b>

There has been no significant change in the Company's capital management during year 2023.

### (XXI) Non-cash transactions in investing and financing activities

- Please refer to Note 6 (7) for details of right-of-use assets acquired by way of leasing
- The reconciliation of liabilities from financing activities is as follows:

	<b>2023.1.1</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>2023.12.31</b>
			<b>Additions</b>	<b>Decrease</b>	
Lease liabilities	<b>\$ 34,866</b>	<b>(28,253)</b>	<b>51,276</b>	<b>-</b>	<b>57,889</b>
	<b>2022.1.1</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>2022.12.31</b>
			<b>Additions</b>	<b>Decrease</b>	
Lease liabilities	<b>\$ 33,819</b>	<b>(27,626)</b>	<b>34,825</b>	<b>(6,152)</b>	<b>34,866</b>

## VII. Related-Party Transactions

### (I) Name of related party and relations

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

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

<b>Name of related party</b>	<b>Relationship with the Company</b>
Flexbasis Technology Inc.	Subsidiaries of the Company
MILDEF CRETE AUSTRALASIA PTY.LTD.	Subsidiaries of the Company
Roda Computer GmbH	The Company is one of the three shareholders of this company.
Chou Yung-Hsiang	One of the Group's key management personnel

**(II) Significant Transactions with Related Parties**

1. Operating revenue

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Subsidiaries	\$ 47,817	-
Other related parties		
Roda Computer GmbH	781,274	336,373
	<b>\$ 829,091</b>	<b>336,373</b>

The consolidated company's sales transactions with related parties, except for certain product specifications that lack comparable market prices, are generally not significantly different from regular market prices. Additionally, the credit period, originally set at 45 days from delivery, has been extended to up to 90 days starting from July 2023 based on the sales conditions.

2. Purchase

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Subsidiaries	\$ 170,275	65,547

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

	<b>2023.12.31</b>	<b>2022.12.31</b>
Subsidiaries	\$ 1,044	-
Other related parties		
Roda Computer GmbH	309,437	11,683
	<b>\$ 310,481</b>	<b>11,683</b>

4. Other payables (including related parties)

	<b>2023.12.31</b>	<b>2022.12.31</b>
Subsidiaries	\$ 11	-
Roda Computer GmbH	5,004	-
	<b>\$ 5,015</b>	<b>-</b>

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

Payment made on behalf of related parties and dividends to be received from related parties.

5. Property, plant and equipment

	<u>2023.12.31</u>	<u>2022.12.31</u>
Subsidiaries	<u>\$ 100</u>	<u>-</u>

The company acquired various equipment from its subsidiary.

6. Prepaid balances with related parties (recorded as other non-current assets)

	<u>2023.12.31</u>	<u>2022.12.31</u>
Subsidiaries	<u>\$ 270</u>	<u>-</u>

This payment is made in advance for the purchase of equipment.

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

	<u>2023.12.31</u>	<u>2022.12.31</u>
Subsidiaries	<u>\$ 11,322</u>	<u>3,479</u>

8. Contract liabilities with related party (under contract liabilities)

	<u>2023.12.31</u>	<u>2022.12.31</u>
Other related parties		
Roda Computer GmbH	<u>\$ 43,694</u>	<u>53,593</u>

9. Maintenance and other income

	<u>Maintenance and other income</u>	
	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ 455	-
Other related parties	4,452	3,490
	<u>\$ 4,907</u>	<u>3,490</u>

All receivables from the above transactions have been received.

10. Technical service fees, repair and maintenance fees, and others

	<u>Technical service fees, repair and maintenance fees, and others</u>		<u>Other accounts payable</u>	
	<u>Fiscal Year</u>	<u>Fiscal Year</u>		
	<u>2023</u>	<u>2022</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Subsidiaries	\$ 437	-	-	-
Other related parties	950	1,024	95	2,010
	<u>\$ 1,387</u>	<u>1,024</u>	<u>95</u>	<u>2,010</u>

11. On March 6, 2023, the Consolidated Company sold 7.6% equity in the subsidiary, Flexbasis, to Chou Yung-Hsiang for NT\$5,040,000 in cash. Said transaction payment was already received.

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

(III) Remuneration to key management personnel

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Short-term employee benefits	\$ 21,684	17,314
Post-employment benefits	297	108
	<b><u>\$ 21,981</u></b>	<b><u>17,422</u></b>

**VIII. Pledged Assets**

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

<b>Name of asset</b>	<b>Item pledged as collateral</b>	<b>2023.12.31</b>	<b>2022.12.31</b>
Time deposit	Customs guarantee	<b><u>\$ 1,000</u></b>	<b><u>200</u></b>

**IX. Material Contingent Liabilities and Unrecognized Contractual Commitments: None.**

**X. Major Disaster Losses: None.**

**XI. Material Events After the Balance Sheet Date: None.**

**XII. Others**

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

<b>By function</b>	<b>Fiscal Year 2023</b>			<b>Fiscal Year 2022</b>		
	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
<b>By nature</b>						
Cost of Employee benefits						
Salary and wages	99,288	167,033	266,321	73,503	162,265	235,768
Labor and health insurance	7,334	15,832	23,166	6,886	15,570	22,456
Pension	3,600	7,832	11,432	3,326	7,879	11,205
Directors' remuneration	-	12,842	12,842	-	6,501	6,501
Other employee benefits	941	2,047	2,988	799	1,908	2,707
Depreciation expense	14,111	29,257	43,368	11,984	29,523	41,507
Amortization expense	1,307	3,236	4,543	1,161	3,978	5,139

Please find below the additional information regarding the number of employees and employee benefits expenses for the fiscal years 2023 and 2022 of our company:

	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>
Number of employees	<b><u>301</u></b>	<b><u>303</u></b>
Number of directors who are not current employees	<b><u>6</u></b>	<b><u>6</u></b>
Average employee benefits expense	<b><u>\$ 1,030</u></b>	<b><u>916</u></b>
Average employee remuneration expense	<b><u>\$ 903</u></b>	<b><u>794</u></b>
Adjustment of average employee remuneration expense	<b><u>13.73%</u></b>	
Remuneration of supervisor	<b><u>\$ -</u></b>	<b><u>-</u></b>

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

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 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.

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

### XIII. Additional Disclosures

#### (I) Information on Related Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, in 2023, the Company shall disclose relevant information of significant transactional items as follows:

1. Loans to Others: None.
2. Endorsements/Guarantees provided to others: None.
3. Securities Held at the End of the Period (Excluding Investments in Subsidiaries, Associates, and Joint Ventures):

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

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 company's three shareholders	Financial assets at fair value through other comprehensive income - non-current	8	18,262	8.00 %	18,262
The Company	Alliance Technology Co., Ltd. Shares	-	"	100	-	0.79 %	-
The Company	Mildef Group AB Shares	-	"	4,196	847,713	10.53 %	847,713

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. Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital:

Unit: NT\$1000

Goods purchasing (sales) company	Name of trading counterpart	Relationships	Transaction details				Situation and reason of why transaction conditions are different from general transactions		Notes and accounts receivable (payable)		Remark
			Purchase (sales) of goods	Amount	Percentage of total goods purchasing (sales)	Credit period	Unit price	Credit period	Balance	Ratio to Total Notes/ Accounts Receivable (Payable)	
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	Sale of goods	781,274	26.18 %	The original credit period were 45 days from delivery, but starting from July 2023, they may be extended to 90 days based on the sales conditions.	(Note)	-	309,437	72.03%	
The Company	Flexbasis Technology Inc.	Subsidiaries of the Company	Purchase	170,275	7.93 %	Payment terms: Payment is due within 60 days from the end of the month.	-		11,322	7.50%	

(Note) The prices at which the Company sells goods to related parties, except for certain product specifications that lack comparable market prices, are generally not significantly different from regular market prices.



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

7. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital:

Unit: NT\$1000

Company Name	Name of trading counterpart	Relationships	Balance of accounts receivables from related parties	Turnover	Overdue accounts receivables from related parties		Amount recovered after the due date of accounts receivables from related parties	Provision for bad debts
					Amount	Treatment Method		
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	309,437	4.87	34,306		34,306	-

8. Trading in Derivative Instruments: None.

### (II) Information on Investees:

The information on the Company's reinvestment business in 2023 is as follows:

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

Name of investor	Name of investee	Location	Main business	Initial investment amount		End of the period holdings			Profit or loss of investee in the current period	Recognized profit or loss in the period	Remark
				End of this period	End of last year	Number of shares	Percentage	Carrying amount			
The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing	24,054	27,208	2,136	57.73%	28,188	44,512	8,166	
The Company	MILDEF CRETE AUSTRALASIA PTY.LTD.	Australia	Trade	12,548	-	600	100.00%	10,706	(1,595)	(1,595)	

### (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 major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with registration of dematerialized securities completed (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's financial statements may differ from the actual number of shares with registration of dematerialized securities completed as a result of different bases of preparation.

## XIV. Segment Information

Please refer to the 2023 Consolidated Financial Report.

**Mildef Crete Inc.**  
**Detailed Statement of Cash and Cash Equivalents**

**December 31, 2023**

**Unit: NT\$1000**

<u><b>Item</b></u>	<u><b>Description</b></u>	<u><b>Amount</b></u>
Petty cash		\$ 402
Bank deposits		
Check deposit		8,668
Demand deposits		189,122
Foreign currency deposits	USD 523,000 multiplied by the exchange rate of 30.71	16,070
Foreign currency deposits	AUD 150,000 multiplied by the exchange rate of 20.98	3,148
Foreign currency deposits	Others	<u>7</u>
		<u><u><b>\$ 217,417</b></u></u>

**Mildef Crete Inc.**  
**Detailed Statement of Accounts Receivable**

**December 31, 2023**

**Unit: NT\$1000**

<u>Client name</u>	<u>Amount</u>
Non-related parties:	
Saint Jetson Technology Co., Ltd.	\$ 53,171
Mildef Inc.	37,965
Syntrend Creative Park Co., Ltd.	25,344
Others (for amount less than 5% of the balance of the current account)	<u>2,621</u>
Total	<u><u>\$ 119,101</u></u>

**Detailed Statement of Inventories**

<u>Item</u>	<u>Amount</u>	
	<u>Book value (Note)</u>	<u>Net realizable value</u>
Merchandise	\$ 111,024	123,388
Finished goods	797	3,256
Semi-finished goods	128,256	128,256
Work in process	382,176	382,176
Raw materials	<u>625,544</u>	<u>625,544</u>
Total	<u><u>\$ 1,247,797</u></u>	<u><u>1,262,620</u></u>

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

**Mildef Crete Inc.**

**Detailed Statement of Other Current Assets**

**December 31, 2023**

**Unit: NT\$1000**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivables	Advertising fees receivable and incentive payments receivable from suppliers	\$ 8,343
Prepaid expenses	Prepaid maintenance fees, exhibition fees, and office repair expenses	4,007
Refundable tax receivable	Refundable business tax	2,304
Provision for refundable tax receivable	Estimated provision for refund of undistributed surplus tax	949
Others (for amount less than 5% of the balance of the current account)		<u>563</u>
Total		<u><u>\$ 16,166</u></u>

**Detailed Statement of Changes in Financial Assets Measured at Fair Value through Other comprehensive income - Non-current**

**January 1 to December 31 of 2023**

<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>Offering Guarantees or Pledges</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	8	\$ 18,819	-	-	-	(557)	8	18,262	None
Mildef Group AB	4,356	1,034,681	-	-	(160)	(186,968)	4,196	847,713	None
Alliance Technology Co., Ltd	100	<u>1,000</u>	-	-	-	<u>(1,000)</u>	100	-	None
		<u>\$ 1,054,500</u>		-		<u>(188,525)</u>		<u>865,975</u>	

(Note) During this period, there were disposals amounting to NT\$34,867,000 and a decrease in fair value assessment of NT\$152,101,000.

**Mildef Crete Inc.**  
**Detailed Statement of Changes in Investments by the Equity**  
**Method**

**January 1 to December 31 of 2023**

**Unit: NT\$ thousand/thousands of shares**

Name	Opening balance		Increase in the current period		Decrease in the current period		Investment income (loss) recognized under the equity method	Exchange differences arising from the translation of the financial statements of foreign operations	Ending balance			Net value of equity		Offering Guarantees or Pledges
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount			Number of shares	Shareholding percentage	Amount	Unit price	Total price	
MILDEF CRETE	-	\$ -	600	12,548	-	(267)	(1,595)	20	600	100.00	10,706	17.84	10,706	None
AUSTRALASIA							(Note 1)							
PTY LTD														
Flexbasis Technology	2,416	30,007	-	-	-	(9,985)	8,166	-	2,416	57.73%	28,188	11.67	28,188	None
Inc.							(Note 2)							
		<u>\$ 30,007</u>		<u>12,548</u>		<u>(10,252)</u>	<u>6,571</u>	<u>20</u>			<u>38,894</u>		<u>38,894</u>	

Note1: The adjustment of gross profit from sales of NT\$267,000 has not been realized.

Note2: During the current period, we distributed cash dividends of NT\$6,408,000 for profit distribution and disposed of equity method investments totaling NT\$3,577,000.

**Mildef Crete Inc.**

**Detailed Statement of Other Non-current Assets**

**December 31, 2022 and 2023**

**Unit: NT\$1000**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Payment made in advance for purchase of equipment	Payment made in advance for purchase of equipment.	\$ 34,167
Refundable deposits	Guarantee deposits for stores and factory houses and buildings, operating guarantees, tariff guarantees, etc.	6,439
Assets pledged	Customs guarantee	1,000
		<u><u>\$ 41,606</u></u>

**Contract liabilities statement**

<u>Item</u>	<u>Amount</u>
SCS TECHNOLOGIES PTE LTD	\$ 167,675
Roda Computer GmbH	43,694
Mildef Products AB	14,560
Others (for amount less than 5% of the balance of the current account)	11,710
Total	<u><u>\$ 237,639</u></u>

**Detailed statement of notes payable**

<u>Manufacturer name</u>	<u>Description</u>	<u>Amount</u>
Ruijia Enterprise Co., Ltd.	Purchase	\$ 6,077
MaxView Optronics Co., Ltd.	"	2,881
Fu Da Precision Rubber Industrial Co., Ltd.	"	1,570
Others (for amount less than 5% of the balance of the current account)	"	19,952
		<u><u>\$ 30,480</u></u>

**Mildef Crete Inc.**

**Detailed Statement of Accounts Payable**

**December 31, 2023**

**Unit: NT\$1000**

<b>Manufacturer name</b>	<b>Description</b>	<b>Amount</b>
Non-related parties		
Acer Inc.	Purchase	\$ 27,034
Synnex Technology International Corporation	"	16,904
Others (for amount less than 5% of the balance of the current account)	"	65,238
Related parties		11,322
		<b>\$ 120,498</b>

**Detailed statement of other accounts payable**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Employee dividends payable		\$ 61,896
Salary payable		36,119
Payable bonus for unused off-day		16,527
Remuneration payable to directors		12,634
Labor insurance premiums payable		2,595
Accrued labor costs		1,934
Others		5,223
Total		<b>\$ 136,928</b>

**Detailed statement of lease liabilities**

<b>Item</b>	<b>Description</b>	<b>Lease period</b>	<b>Discount rate</b>	<b>Ending balance</b>	<b>Remark</b>
Houses and Buildings		2017.07-2028.10	1.35%	<b>\$ 57,889</b>	
Lease liabilities - current				<b>\$ 28,762</b>	
Lease liabilities - non-current				<b>\$ 29,127</b>	

# Mildef Crete Inc.

## Detailed statement of operating costs

January 1 to December 31 of 2023

Unit: NT\$1000

Item	Amount
Goods inventory at the beginning of the period	\$ 183,199
Add: Net purchase of goods in the current period	1,219,576
Less: Goods inventory at the end of the period	(112,213)
Inventory losses	(3)
Transfer to various expenses	(348)
Cost of good sold - goods	1,290,211
Raw materials in the beginning of the period	688,485
Add: Net material purchased in the current period	926,468
Transferred to product in process and semi-finished products	31,454
Less: Raw materials at the end of the period	(838,351)
Inventory losses	(16)
Actual amount incurred of after-sales service reserves	(4,127)
Transfer to various expenses	(910)
Cost of raw material sales	(36,260)
Consumption of raw materials	766,743
Direct Labor	63,220
Manufacturing expenses	72,715
Manufacturing costs	902,678
Products in process and semi-finished products in the beginning of the period	458,239
Add: Semi-finished products	469
Transfer of finished goods	2,493
Less: Products in process and semi-finished products at the end of the period	(589,222)
Transfer of raw materials	(31,454)
Transfer to various expenses	(12,550)
Sale of semi-finished products	(34,686)
Inventory losses	(3)
Manufacturing costs	695,964
Add: Finished products at the beginning of the period	4,145
Less: Finished products at the end of the period	(1,507)
Transferred to products in process and semi-finished products	(2,493)
Transfer to various expenses	(4,568)
Cost of goods sold - finished goods	691,541
Cost of raw materials sold	36,260
Cost of semi-finished products sold	34,686
Cost of goods sold - manufacturing	762,487
Include: Costs for outsourced maintenance	6,539
Provision for after-sales service	10,424
Estimated employee bonus	30,586
Inventory valuation loss	25,098
Inventory loss	22
Total cost of goods sold	\$ 2,125,367



**Mildef Crete Inc.**

**Detailed Statement of Operating Expense**

**January 1 to December 31 of 2023**

**Unit: NT\$1000**

<u>Item</u>	<u>Selling and marketing expenses</u>	<u>General and administrative expenses</u>	<u>Research and development expenses</u>
Salary expenditure	\$ 99,167	23,164	44,702
Insurance premium	10,162	2,641	3,206
Depreciation	26,099	1,795	1,363
Amortization of various items	99	37	3,100
Sample expense	-	-	9,161
Entrusted research expenses	-	-	5,383
Commission expenditure	3,254	-	-
Retirement benefits	5,092	981	1,759
Labor expense	-	2,611	15
Bank charges	6,286	8	-
Other expenses	12,662	21,001	16,876
Total	<u><u>\$ 162,821</u></u>	<u><u>52,238</u></u>	<u><u>85,565</u></u>

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

For information regarding Accounts Receivable and Other Receivables - Related Parties, please refer to Note 7 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 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 income, please refer to Note 6 (17) to the financial statements

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