Stock Code: 3213

# Mildef Crete Inc. and Its Subsidiaries

# Consolidated Financial Statements and Certified Public Accountant's Audit Report

# 2023 and 2022

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

**Tel: (02) 2662-6074**

***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.*

# Table of Contents

# Declaration

The companies of which the consolidated financial statements for affiliates shall include the Company's for the Year 2023 (from January 1 to December 31) as stipulated by the Standards for Preparing Affiliates' Business Reports, Consolidated Financial Statements and Relationship Reports are the same as those to be included in the consolidated financial statements of the parent company and its subsidiaries as recognized by the Financial Supervisory Commission and specified by the valid International Financial Reporting Standard 10. All related information which shall be disclosed in the affiliates' consolidated financial statements have been disclosed in the foregoing consolidated financial statements of the parent company and its subsidiaries. Hence, the affiliates' consolidated financial statements are no longer prepared.

A statement is hereby specially made.

Name of the Company: Mildef Crete Inc.

Chairman: Shen Yi-Tong

Date: March 13, 2024

## Certified Public Accountant's Audit Report

To the Board of Directors of Mildef Crete Inc.:

**Opinion**

We have audited the accompanying consolidated balance sheets of Mildef Crete Inc. and subsidiaries as of December 31, 2022 and 2023, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, which comprise a summary of significant accounting policies.

In our opinion, the aforementioned consolidated financial statements have been prepared in all material aspects according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission. They fairly present the 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 Consolidated Financial Statements section of our report. We are independent of Mildef Crete Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Mildef Crete Inc. and its subsidiaries for the year 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We judge that they key audit matters to be communicated in the audit report are as follows:

Inventory Valuation

As to detailed accounting policies related to inventory valuation refer to Note 4 (8) to the consolidated financial statements; for details on estimation and hypothesis uncertainty of inventory valuation, refer to Note 5 to the consolidated financial statements; concerning provision for Write-downs of inventories and obsolescence losses, refer to Note 6 (4) to the consolidated financial statements.

Explanations of key audit matters:

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

Corresponding audit procedures:

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

**Other matters**

Mildef Crete Inc. has prepared standalone financial statements for 2023 and 2022, and we have issued an auditors’ report with unqualified opinions for reference.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Accountants' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the general accepted auditing standards will always detect a material misstatement when it exists. Misstatements might arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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 those charged with governance, we determine those key matters in the audit of the consolidated financial statements of Mildef Crete Inc. and its subsidiaries for the 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<br>Mei-Yan Chen |
| Competent Securities Authority's Approval Document No. | : | FSC Review Letter No.1060005191.<br>(88) Securities and Futures Commission (6) No. 18311 |

March 13, 2024

# Mildef Crete Inc. and Its Subsidiaries
## Consolidated Balance Sheets
## December 31, 2023 and 2022

Unit: NT$1000

| Code | Assets | 2023.12.31 Amount | % | 2022.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 6 (1)) | $ 311,156 | 9 | 488,751 | 15 |
| 1110 | Financial assets at fair value through profit or loss - current (Note 6 (2)) | - | - | 20,030 | 1 |
| 1150 | Notes and accounts receivable, net (Notes 6 (3) and (15)) | 120,085 | 3 | 96,180 | 3 |
| 1180 | Accounts receivable - related parties, net (Notes 6 (3), (15), and 7) | 309,437 | 9 | 11,683 | - |
| 1212 | Other payables-related party (Note 7) | 5,004 | - | - | - |
| 130X | Inventories (Note 6 (4)) | 1,197,819 | 34 | 1,041,074 | 31 |
| 1476 | Other financial assets - current (Note 6 (1)) | 206,100 | 6 | 206,100 | 6 |
| 1479 | Other current assets | 17,976 | 1 | 25,299 | 1 |
| | **Total current assets** | 2,167,577 | 62 | 1,889,117 | 57 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 6 (2)) | 865,975 | 26 | 1,054,500 | 32 |
| 1600 | Property, factory and equipment (Note 6 (5)) | 256,545 | 7 | 242,500 | 7 |
| 1755 | Right-of-use assets (Note 6 (6)) | 75,344 | 2 | 49,668 | 1 |
| 1780 | Intangible assets (Note 6 (7)) | 6,458 | - | 9,417 | - |
| 1840 | Deferred income tax assets (Note 6 (12)) | 74,107 | 2 | 64,860 | 3 |
| 1990 | Other non-current assets (Note 8) | 48,162 | 1 | 5,600 | - |
| | **Total non-current assets** | 1,326,591 | 38 | 1,426,545 | 43 |
| | **Total assets** | $ 3,494,168 | 100 | 3,315,662 | 100 |

| Code | Liabilities and equity | 2023.12.31 Amount | % | 2022.12.31 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2130 | Contract liabilities - current (Notes 6 (15) and 7) | $ 237,639 | 7 | 246,664 | 7 |
| 2150 | Notes payable | 34,132 | 1 | 53,211 | 2 |
| 2170 | Accounts payable | 119,254 | 3 | 149,623 | 5 |
| 2209 | Other Payables (Notes 6 (16) and 7) | 150,795 | 5 | 108,494 | 3 |
| 2230 | Current income tax liabilities | 107,867 | 3 | 38,596 | 1 |
| 2280 | Lease liabilities- current (Note 6 (9)) | 33,798 | 1 | 24,808 | 1 |
| 2399 | Other current liabilities | 560 | - | 394 | - |
| | **Total Current Liabilities** | 684,045 | 20 | 621,790 | 19 |
| | **Non-current liabilities:** | | | | |
| 2552 | Provisions for warranty liabilities (Note 6 (10)) | 13,152 | - | 6,855 | - |
| 2570 | Deferred income tax liabilities (Note 6 (12)) | 166,833 | 5 | 204,124 | 6 |
| 2580 | Lease liabilities-non-current (Note 6 (9)) | 42,018 | 1 | 25,088 | 1 |
| 2640 | Net defined benefit liabilities-non-current (Note 6 (11)) | 30,301 | 1 | 28,737 | 1 |
| | **Total non-current liabilities** | 252,304 | 7 | 264,804 | 8 |
| | **Total liabilities** | 936,349 | 27 | 886,594 | 27 |
| | **Equity attributed to owners of the parent company (Notes 6 (2) and (13)):** | | | | |
| 3110 | Ordinary share capital | 586,855 | 17 | 586,855 | 18 |
| 3200 | Capital surplus | 74,113 | 2 | 72,650 | 2 |
| 3300 | Retained earnings | 1,634,564 | 47 | 1,372,791 | 42 |
| 3400 | Other equity | 241,646 | 7 | 380,825 | 11 |
| | Equity attributed to owners of the parent company | 2,537,178 | 73 | 2,413,121 | 73 |
| 36xx | Non-controlling interests | 20,641 | - | 15,947 | - |
| | **Total equity** | 2,557,819 | 73 | 2,429,068 | 73 |
| | **Total liabilities and equity** | $ 3,494,168 | 100 | 3,315,662 | 100 |

**(Please refer to notes to the consolidated financial statements for details)**

**Chairman: Shen Yi-Tong** **Manager: Shen Yi-Tong** **Accounting Manager: Liu Ya-Ping**

# Mildef Crete Inc. and Its Subsidiaries
## Consolidated Statements of Comprehensive Income
## January 1 to December 31, 2023 and 2022

**Unit: NT$1000**

| Code | Item | Fiscal Year 2023 Amount | Fiscal Year 2023 % | Fiscal Year 2022 Amount | Fiscal Year 2022 % |
|---|---|---|---|---|---|
| 4000 | **Operating revenue (Notes 6 (15), 7 and 14)** | $ 2,989,074 | 100 | 2,708,366 | 100 |
| 5000 | **Operating cost (Notes 6(4), (5), (6), (7), (9), (10), (11), (16), 7, and 12)** | 2,088,559 | 70 | 2,150,191 | 79 |
| | **Gross operating profit** | 900,515 | 30 | 558,175 | 21 |
| | **Operating expenses (Notes 6 (5), (6), (7), (9), (11), (16), 7 and 12):** | | | | |
| 6100 | Selling and marketing expenses | 167,932 | 6 | 175,312 | 6 |
| 6200 | General and administrative expenses | 65,105 | 2 | 47,245 | 2 |
| 6300 | Research and development expenses | 86,708 | 3 | 69,796 | 3 |
| | **Total operating expenses** | 319,745 | 11 | 292,353 | 11 |
| | **Net operating profit** | 580,770 | 19 | 265,822 | 10 |
| | **Non-operating income and expenses:** | | | | |
| 7100 | Interest income (Note 6 (17)) | 9,859 | - | 8,912 | - |
| 7010 | Other income (Note 6 (17)) | 7,966 | - | 18,151 | 1 |
| 7020 | Other gains and losses (Note 6 (17)) | (9,059) | - | 13,428 | - |
| 7510 | Finance costs (Note 6 (9) and (17)) | (895) | - | (828) | - |
| | **Total non-operating income and expenses** | 7,871 | - | 39,663 | 1 |
| | **Net profit before tax** | 588,641 | 19 | 305,485 | 11 |
| 7951 | **Minus: Income tax expense (Note 6 (12))** | 122,004 | 4 | 70,105 | 2 |
| | **Current net profit** | 466,637 | 15 | 235,380 | 9 |
| 8300 | **Other Comprehensive Income (Notes 6 (11), (12), and (13)):** | | | | |
| 8310 | **Items not reclassified as income and loss** | | | | |
| 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 relating to items that may be reclassified subsequently to profit or loss | (31,357) | (1) | 70,159 | 3 |
| | **Total amount of items not reclassified to profit or loss** | (126,986) | (4) | 275,771 | 10 |
| 8360 | **Items that may be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences arising from the translation of the financial statements of foreign operations | 20 | - | - | - |
| 8399 | Minus: Income tax relating to items that may be reclassified subsequently to profit or loss | - | - | - | - |
| | **Total amount of items that may be reclassified subsequently to profit or loss** | 20 | - | - | - |
| 8300 | **Other comprehensive income** | (126,966) | (4) | 275,771 | 10 |
| | **Total amount of other current comprehensive gains and losses** | $ 339,671 | 11 | 511,151 | 19 |
| | **Net profit/(loss) attributable to** | | | | |
| 8610 | Owners of the Parent Company | $ 460,828 | 15 | 228,270 | 9 |
| 8620 | Non-controlling interests | 5,809 | - | 7,110 | - |
| | | $ 466,637 | 15 | 235,380 | 9 |
| | **Total comprehensive income attributable to:** | | | | |
| 8710 | Owners of the Parent Company | $ 333,862 | 11 | 504,041 | 19 |
| 8720 | Non-controlling interests | 5,809 | - | 7,110 | - |
| | | $ 339,671 | 11 | 511,151 | 19 |
| | **Earnings per share (NT$: (Note 6 (14))** | | | | |
| | **Basic earnings per share** | $ | 7.85 | | 3.89 |
| | **Diluted earnings per share** | $ | 7.74 | | 3.83 |

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

**Chairman: Shen Yi-Tong** **Manager: Shen Yi-Tong** **Accounting Manager: Liu Ya-Ping**

## Mildef Crete Inc. and Its Subsidiaries

## Consolidated statements of changes in equity

## January 1 to December 31, 2023 and 2022

**Unit: NT$1000**

| | | | Retained earnings | | | | Other Equity Items | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Total equity attributable to owners of the parent company | Non-controlling interests | Total equity |
| **Balance on January 1, 2022** | $ 586,855 | 72,650 | 456,181 | 44,942 | 860,535 | 1,361,658 | - | 124,064 | (19,010) | 105,054 | 2,126,217 | 13,973 | 2,140,190 |
| Current net profit | - | - | - | - | 228,270 | 228,270 | - | - | - | - | 228,270 | 7,110 | 235,380 |
| Other comprehensive income | - | - | - | - | - | - | - | 263,409 | 12,362 | 275,771 | 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 | 7,110 | 511,151 |
| Appropriation and distribution of earnings: | | | | | | | | | | | | | |
| Appropriation of legal reserve | - | - | 63,570 | - | (63,570) | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (44,942) | 44,942 | - | - | - | - | - | - | - | - |
| Cash dividends on ordinary shares | - | - | - | - | (217,137) | (217,137) | - | - | - | - | (217,137) | - | (217,137) |
| Cash dividends on acquiring subsidiaries with non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (5,136) | (5,136) |
| **Balance on December 31, 2022** | 586,855 | 72,650 | 519,751 | - | 853,040 | 1,372,791 | - | 387,473 | (6,648) | 380,825 | 2,413,121 | 15,947 | 2,429,068 |
| Current net profit | - | - | - | - | 460,828 | 460,828 | - | - | - | - | 460,828 | 5,809 | 466,637 |
| Other comprehensive income | - | - | - | - | - | - | 20 | (123,238) | (3,748) | (126,966) | (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 | 5,809 | 339,671 |
| Appropriation and distribution of earnings: | | | | | | | | | | | | | |
| Appropriation of legal reserve | - | - | 22,827 | - | (22,827) | - | - | - | - | - | - | - | - |
| Cash dividends on ordinary shares | - | - | - | - | (211,268) | (211,268) | - | - | - | - | (211,268) | - | (211,268) |
| Differences between equity price paid and book value of subsidiaries acquired | - | 1,463 | - | - | - | - | - | - | - | - | 1,463 | (1,463) | - |
| Cash dividends on acquiring subsidiaries with non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (4,692) | (4,692) |
| Changes in percentage of ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 5,040 | 5,040 |
| Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2)) | - | - | - | - | 12,213 | 12,213 | - | (12,213) | - | (12,213) | - | - | - |
| **Balance on December 31, 2023** | $ 586,855 | 74,113 | 542,578 | - | 1,091,986 | 1,634,564 | 20 | 252,022 | (10,396) | 241,646 | 2,537,178 | 20,641 | 2,557,819 |

**(Please refer to notes to the consolidated financial statements for details)**

**Chairman: Shen Yi-Tong** **Manager: Shen Yi-Tong** **Accounting Manager: Liu Ya-Ping**

## Mildef Crete Inc. and Its Subsidiaries

## Consolidated statements of cash flows

## January 1 to December 31, 2023 and 2022

**Unit: NT$1000**

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Net income before tax** | $ 588,641 | 305,485 |
| **Adjustments for:** | | |
| Profit and loss | | |
| Depreciation expense | 53,534 | 49,025 |
| Amortization expense | 5,553 | 5,139 |
| Net gain on financial assets at fair value through profit or loss | (339) | (225) |
| Interest expense | 895 | 828 |
| Interest income | (9,859) | (8,912) |
| Dividend income | (6,796) | (16,338) |
| Gain on disposal of property, plant and equipment | 108 | (44) |
| Total profit/(loss) | 43,096 | 29,473 |
| Changes in assets/liabilities related to operating activities: | | |
| Net changes in assets related to operating activities: | | |
| Notes and accounts receivable | (23,905) | (30,824) |
| Accounts receivable from related parties | (297,754) | (5,307) |
| Inventories | (156,745) | (139,914) |
| Other current assets | 8,272 | (5,339) |
| Total net changes in assets related to operating activities | (470,132) | (181,384) |
| Net changes in liabilities related to operating activities | | |
| Contract liabilities | (9,025) | (17,247) |
| Notes payable | (19,079) | 28,623 |
| Accounts payable | (30,369) | 43,468 |
| Provisions for warranty liabilities | 6,297 | 2,320 |
| Other Accounts Payable and Other Current Liabilities | 42,467 | (7,667) |
| Net defined benefit liabilities | (3,121) | (8,794) |
| Total amount of net changes in liabilities related to operating activities | (12,830) | 40,703 |
| Total amount of net changes in assets and liabilities related to operating activities | (482,962) | (140,681) |
| Total adjustments | (439,866) | (111,208) |
| Net cash generated from/(used in) operations | 148,775 | 194,277 |
| Interest received | 9,859 | 8,912 |
| Income tax paid | (67,071) | (90,368) |
| **Net cash inflow from operating activities** | 91,563 | 112,821 |
| **Cash flows from investing activities:** | | |
| 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 |
| Acquisition of property, plant and equipment | (34,300) | (18,144) |
| Disposal of property, plant and equipment | 100 | 152 |
| Increase in other non-current assets | (2,900) | - |
| Acquisition of intangible assets | (2,594) | (6,791) |
| Decrease in other financial assets -current | - | 39,920 |
| Increase in Prepayments for Renovation and Equipment | (39,662) | - |
| Dividends received | - | 16,338 |
| **Net Cash (Outflow) Inflow from Investing Activities** | (24,120) | 131,735 |
| **Cash flows from financing activities:** | | |
| Repayments of long-term loans | - | (1,751) |
| Payment of the principal portion of lease liabilities | (33,243) | (31,039) |
| Payments of cash dividends | (211,268) | (217,137) |
| Dividends paid to non-controlling interests | (4,692) | (5,136) |
| Disposal of equity in subsidiaries (without control lost) | 5,040 | - |
| Interests paid | (895) | (828) |
| **Net cash outflow from financing activities** | (245,058) | (255,891) |
| **Effect of exchange rate changes on cash and cash equivalents** | 20 | - |
| **Decrease in cash and cash equivalents in this period** | (177,595) | (11,335) |
| **Opening balance of cash and cash equivalents in the consolidated statements of cash flows** | 488,751 | 500,086 |
| **Closing balance of cash and cash equivalents in the consolidated statements of cash flows** | $ 311,156 | 488,751 |

**(Please refer to notes to the consolidated financial statements for details)**

**Chairman: Shen Yi-Tong** **Manager: Shen Yi-Tong** **Accounting Manager: Liu Ya-Ping**

**Mildef Crete Inc. and Its Subsidiaries**
**Notes to the Consolidated Financial Statements**
**2023 and 2022**
**(In thousands of NT$, except otherwise specified)**

## I. Company History

Mildef Crete Inc. (hereinafter referred to as the “Company”) was incorporated on March 15, 1990 with the approval of the Ministry of Economic Affairs. Its registered address is 7/F, No. 250, Section 3, Beishen Road, Shenkeng District, New Taipei City. The Company and its subsidiaries (hereinafter referred to as the “Consolidated Company”) mainly engage in the research, design, planning, manufacturing, sales, and import and export of various computer software and hardware and components thereof, as well as computer hardware and software combination, manufacturing, installation, and consulting services, and investment in relevant businesses.

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

The consolidated financial statements were approved and released by the Board of Directors on March 13, 2024.

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

(I) The following new or revised International Financial Reporting Standards (IFRS) and interpretations approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) have been applied by the consolidated company starting from January 1, 2023, and have not had a significant impact on the consolidated financial statement.

- 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 Consolidated Company has applied the following newly revised IFRS since May 23, 2023, which hast not caused any significant impact on its consolidated 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 Consolidated Company has evaluated to apply the following newly revised IFRSs effective since January 1, 2024, which will not cause any significant impact on its consolidated financial statements.

- 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 Consolidated Company does not expect that the new and amended standards below not yet endorsed by the FSC will have a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or 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 consolidated financial report is as follows. The following accounting policies have been consistently applied to all periods of presentation of the consolidated financial statements.

(I) Declaration of compliance

These consolidated financial statements are prepared in accordance with the Standards for the Preparation of Financial Statements by Securities Issuers (hereinafter referred to a “Preparation Standards”) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation and Interpretation Announcement, as approved and recognized by the FSC.

(II) Basis of preparation

1. Basis of measurement

Except for the following significant items in the balance sheet, this consolidated financial report is prepared on the basis of historical costs:

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

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

(3) Net defined benefit liabilities are measured at the present value of defined benefit obligations, and the effect of the cap referred to Note 4 (15) less the fair value of pension fund assets.

2. Functional currencies and presentation currencies

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

(III) Basis of consolidation

1. Principles for the Preparation of Consolidated Financial Statements

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

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

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

Changes in the Consolidated Company's ownership interests in subsidiaries that do not result in the loss of control over subsidiaries are treated as equity transactions with owners. The difference between the adjustment of the non-controlling interest and the fair value of the consideration paid or received is directly recognized as equity and directly recognized in equity and attributable to the owners of the Company.

2. Subsidiaries included in the consolidated financial statements include:

| | | | % of equity held | | |
|---|---|---|---|---|---|
| **Name of investor** | **Name of subsidiary** | **Nature of business** | **2023.12.31** | **2022.12.31** | **Description** |
| The Company | Flexbasis Technology Inc. (Flexbasis) | Manufacturing of metal casings | 57.7% | 65.3% | |
| The Company | MILDEF CRETE AUSTRALASIA PTY. LTD. | Sale of rugged products | 100% | - % | (Note) |

(Note) It was established with the Company's investment on January 5, 2023.

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

(IV) 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 profit or loss.

2. Foreign operating institutions

Assets and liabilities of foreign operating institutions, including goodwill and fair value adjustments arising at the time of acquisition, are converted into the currency of the consolidated financial statements at the exchange rate of the reporting date. Profit and loss items are converted into the presentation currency of the consolidated financial statements based on the average exchange rate for the period, and the exchange differences arising therefrom shall be recognized in other comprehensive profit or loss.

When the disposal of a foreign operating institution results in a loss of significant influence, the accumulated exchange difference related to the foreign operating institution shall be fully reclassified to profit or loss. When partially disposing of a subsidiary that includes overseas operating entities, any related cumulative translation adjustments are proportionately reattributed to non-controlling interests. When partial disposal includes investments in associates of foreign operating institutions, the relevant accumulated exchange difference shall be classified proportionally into profit and loss.

For monetary assets or liabilities denominated in foreign currencies related to overseas operations, if there is no plan for settlement and it is not possible to settle them in the foreseeable future, any resulting foreign exchange gains or losses are recognized as a component of other comprehensive income related to the net investment in that foreign operation.

(V) 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. Those expected to be realized or intended to be sold or consumed during the normal operating cycle of the Consolidated Company.

2. Held primarily for trading purposes.
3. Expected to be achieved within 12 months after the reporting period.
4. Cash or cash equivalents are excluded from this unless the asset is restricted from being exchanged or used to settle liabilities for at least twelve months after the reporting period.

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

1. Those expected to be liquidated in the normal operating cycle of the Consolidated Company.
2. Held primarily for trading purposes.
3. Those repayment due in 12 months after the reporting period.
4. The consolidated company does not have liabilities with an unconditional right to defer settlement beyond at least twelve months after the reporting period. The terms of the liabilities, which may be settled by issuing equity instruments at the option of the counterparty, do not affect their classification.

(VI) Cash and cash equivalents

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

(VII) Financial instruments

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

1. Financial assets

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

- 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 derecognizing an asset or liability, any accumulated gains or losses are recognized in the income statement.

(2) Financial assets at fair value through other comprehensive income

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

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

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

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

Financial assets 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 Consolidated Company may irrevocably designate financial assets that meet the conditions for measurement at amortized cost or at fair value through other comprehensive profit or loss as financial assets measured at fair value through profit or loss, in order to eliminate or significantly reduce accounting mismatches.

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

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

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

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

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

(5) Impairment of financial assets

The Consolidated Company recognizes allowance losses on expected credit losses on financial assets (including cash and cash equivalents, notes and accounts receivable, deposits and other financial assets, etc.) measured at 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 judging whether the credit risk has significantly increased after initial recognition, the Consolidated Company shall consider reasonable and verifiable information (without the need of transition cost or input), including qualitative and quantitative information as well as analysis based on historical experience, credit valuation and prospective information.

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

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

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

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

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

(6) Derecognition of financial assets

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

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

2. Financial liabilities

(1) Financial liabilities

Financial liabilities are classified as measured at amortized cost. If financial liabilities are held for trading, classified as derivative instruments, or designated at initial recognition, they are classified as measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are measured at fair value, and any related net gains and losses, including any interest expenses, are recognized in the income statement.

Financial liabilities measured at cost after amortization 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

Consolidated Companies are excluded from financial liabilities when contractual obligations have been performed, cancelled or become due. When the terms of the financial liabilities are modified and the cash flow of the liabilities after the modification is materially different, the original financial liabilities shall be de-recognized and the new financial liabilities shall be recognized at fair value on the basis of the modified terms.

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

(3) Offset of financial assets and liabilities

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis only to the extent that the Consolidated Company currently has legally enforceable rights to offset and intend to settle them on a net basis or to realize the assets and liquidate the liabilities simultaneously.

(VIII) Inventories

The original cost of inventories is the necessary expense to bring the inventories to the location in which they are available for sale or production. The fixed production overheads are 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.

(IX) Property, factory and equipment

1. Recognition and measurement

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

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

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

2. Subsequent costs

Subsequent expenses are capitalized only when their future economic benefits are likely to flow to the Consolidated Company.

3. Depreciation

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

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

(1) Building and Structures: 40 years.

(2) Machinery and Equipment: 5 to 8 years.

(3) Transportation equipment: 5 years.

(4) Office equipment: 5 years.

(5) Other equipment: 3 to 5years.

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

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to the end of the useful life or the end of the lease term, whichever is earlier. In addition, the Consolidated Company periodically assesses whether the right-of-use asset is reduced by impairment losses, if any, the right-of-use asset for certain re-measurements of the lease liability shall be adjusted.

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

Lease benefits measured by lease liabilities include:

1. Fixed benefits, including substantial fixed benefits;

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

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

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

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

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

With respect to short-term leases of parking spaces, the Consolidated Company chose not to recognize the right-of-use assets and lease liabilities, and instead recognized the relevant lease payments as an expense on a straight-line basis over the lease term.

(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 Consolidated Company assesses the residual value of the intangible assets, the amortization period and the amortization method on 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 Consolidated Company assesses whether an impairment occurs on each reporting date and estimates the recoverable amount for those assets that show signs of impairment.

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

(XIII) Provision for Liabilities

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

The provision for warranty liabilities is 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.

(XIV) Income from Contracts with Clients

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

1. Sale of goods - rugged computers

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

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

2. Merchandise for sale - business laptops

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

3. Labor service income

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

4. Financial component

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

(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.

    The Consolidated Company’s defined benefit obligations are actuarially determined annually by a qualified actuarial practitioner using the projected unit credit method. When the calculation result may be beneficial to the Consolidated Company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of contributions refund or reduction in future payments of the plan. In calculating the present value of economic benefits, any minimum funding requirement shall be considered.

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

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

3. Short-term employee benefits

The obligation for short-term employee benefits is measured on non-discounted basis, and is recognized as an expense when the relevant services are rendered. For expected payment amount under short-term cash bonus or dividend scheme, if the Consolidated Company undertakes current obligation of legal or constructive payment for the previous provision of services by employees and the obligation can be reliably estimated, the amount shall be recognized as liability.

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

The current income tax includes the estimated payable income tax or receivable tax refund calculated based on the taxable income (loss) for the current year, as well as any adjustments to income tax payable or tax refund receivable for previous years.

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

1. Assets or liabilities recognized at the inception of a transaction not related to business combinations, and which at the time of the transaction (i) do not affect accounting profit or taxable income (loss), and (ii) do not result in equal temporary differences between taxable and deductible amounts, are recognized.
2. Temporary differences arising from the investment in subsidiary, associate, and joint venture equity, the Consolidated Company can control the reversal timing of the temporary difference and is unlikely to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

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

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

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

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

(XVII) Earnings per share

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

(XVIII) Segment Information

Operating segments are components of a consolidated entity that engage in activities that may earn revenue and incur expenses (including revenue and expenses related to transactions with other components of the consolidated entity). The operation results of all operating divisions are periodically reviewed by the chief operating decision makers of the Consolidated Company, in order to make decisions on the allocation of resources to the division and to evaluate its performance. In addition, it is with separate financial information.

## V. Critical Accounting Judgments, Assumptions, and Main 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 differ from estimates, and ongoing evaluations and adjustments will be made considering historical experience and other factors.

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

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

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

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Cash on hand | $ 551 | 381 |
| Checking deposit and demand deposit | 310,605 | 488,370 |
| | **$ 311,156** | **488,751** |

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 at fair value through profit or loss - current

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Money funds | **$ -** | **20,030** |

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

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

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Unlisted stocks | $ 18,262 | 19,819 |
| Overseas stocks | 847,713 | 1,034,681 |
| Total | **$ 865,975** | **1,054,500** |

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

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. During 2022, the consolidated company did not dispose of any strategic investments. The accumulated gains and losses during that period were not transferred within equity.

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

| | 2023.12.31 | | | 2022.12.31 | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **NT$** | **Foreign currency** | **Exchange rate** | **NT$** |
| EUR | $ 537 | 33.98 | 18,262 | 575 | 32.72 | 18,819 |
| SEK | 275,231 | 3.08 | 847,713 | 351,932 | 2.94 | 1,034,681 |

As of December 31 2023 and 2022, none of the financial assets of the aforementioned consolidated company were pledged as collateral.

(III) Notes and accounts receivable (related parties)

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Notes and accounts receivable | $ 120,085 | 96,180 |
| Accounts receivable-related parties | 309,437 | 11,683 |
| Less: Allowance for losses | - | - |
| | **$ 429,522** | **107,863** |

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

| | 2023.12.31 | | |
|---|---|---|---|
| | **Carrying amount of notes and accounts receivable** | **Weighted average expected credit loss ratio** | **Allowance for lifetime expected credit losses** |
| Not overdue | $ 395,173 | 0.00000% | - |
| Less than30 days overdue | 34,309 | 0.00003% | - |
| Overdue for 31 to 60 days | 40 | 0.00792% | - |
| | $ 429,522 | | - |

| | 2022.12.31 | | |
|---|---|---|---|
| | **Carrying amount of notes and accounts receivable** | **Weighted average expected credit loss ratio** | **Allowance for lifetime expected credit losses** |
| Not overdue | $ 107,212 | 0.00001% | - |
| Less than 30 days overdue | 651 | 0.00011% | - |
| | $ 107,863 | | - |

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

| | **Fiscal Year 2023** | **Fiscal Year 2022** |
|---|---|---|
| Opening balance | $ - | 723 |
| Amount written off due to irrecoverability for the year | - | (723) |
| Ending balance | $ - | - |

(IV) Inventories

| | **2023.12.31** | **2022.12.31** |
|---|---|---|
| Merchandise | $ 111,765 | 181,946 |
| Finished goods | 1,689 | 4,175 |
| Semi-finished goods | 131,130 | 155,100 |
| Work in process | 386,932 | 237,646 |
| Raw materials | 566,303 | 462,207 |
| | $ 1,197,819 | 1,041,074 |

Details of cost of goods sold are as follows:

| | | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|---|
| Costs of inventories sold | $ | 2,052,797 | 2,131,382 |
| Warranty provision | | 10,424 | 5,970 |
| Inventory valuation loss | | 25,338 | 12,839 |
| | $ | 2,088,559 | 2,150,191 |

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) Property, factory and equipment

| | | Land | Buildings | Machinery and equipment | Transportation equipment | Office equipment | Other equipment | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| Balance on January 1 , 2023 | $ | 147,478 | 72,775 | 93,919 | 7,567 | 762 | 83,242 | 405,743 |
| Additions | | - | 2,834 | 16,117 | - | 1,450 | 13,899 | 34,300 |
| Disposal | | - | - | (290) | - | - | (5,609) | (5,899) |
| Balance on December 31, 2023 | $ | 147,478 | 75,609 | 109,746 | 7,567 | 2,212 | 91,532 | 434,144 |
| Balance on January 1, 2022 | $ | 147,478 | 72,299 | 89,500 | 7,252 | 762 | 71,273 | 388,564 |
| Additions | | - | 476 | 4,419 | 695 | - | 12,554 | 18,144 |
| Disposal | | - | - | - | (380) | - | (585) | (965) |
| Balance on December 31, 2022 | $ | 147,478 | 72,775 | 93,919 | 7,567 | 762 | 83,242 | 405,743 |
| Accumulated depreciation: | | | | | | | | |
| Balance on January 1, 2023 | $ | - | 27,169 | 64,497 | 4,969 | 453 | 66,155 | 163,243 |
| Depreciation | | - | 2,925 | 6,204 | 912 | 179 | 9,827 | 20,047 |
| Disposal | | - | - | (273) | - | - | (5,418) | (5,691) |
| Balance on December 31, 2023 | $ | - | 30,094 | 70,428 | 5,881 | 632 | 70,564 | 177,599 |
| Balance on January 1, 2022 | $ | - | 24,824 | 58,497 | 4,038 | 405 | 58,562 | 146,326 |
| Depreciation | | - | 2,345 | 6,000 | 1,203 | 48 | 8,178 | 17,774 |
| Disposal | | - | - | - | (272) | - | (585) | (857) |
| Balance on December 31, 2022 | $ | - | 27,169 | 64,497 | 4,969 | 453 | 66,155 | 163,243 |
| Book value: | | | | | | | | |
| December 31, 2023 | $ | 147,478 | 45,515 | 39,318 | 1,686 | 1,580 | 20,968 | 256,545 |
| January 1, 2022 | $ | 147,478 | 47,475 | 31,003 | 3,214 | 357 | 12,711 | 242,238 |
| December 31, 2022 | $ | 147,478 | 45,606 | 29,422 | 2,598 | 309 | 17,087 | 242,500 |

(VI) Right-of-use assets

| | Buildings |
|---|---|
| Cost of right-of-use assets: | |
| Balance on January 1, 2023 | $ 141,471 |
| Additions | 59,163 |
| Decrease | (1,777) |
| The effects of changes in foreign exchange rates | 8 |
| Balance on December 31, 2023 | **$ 198,865** |
| Balance on January 1, 2022 | $ 137,776 |
| Additions | 34,880 |
| Lease modification | 680 |
| Decrease | (31,865) |
| Balance on December 31, 2022 | **$ 141,471** |
| Accumulated depreciation of right-of-use assets: | |
| Balance on January 1, 2023 | $ 91,803 |
| Depreciation in this period | 33,487 |
| Decrease | (1,777) |
| The effects of changes in foreign exchange rates | 8 |
| Balance on December 31, 2023 | **$ 123,521** |
| Balance on January 1, 2022 | $ 86,265 |
| Depreciation in this period | 31,251 |
| Decrease | (25,713) |
| Balance on December 31, 2022 | **$ 91,803** |
| Book value: | |
| December 31, 2023 | **$ 75,344** |
| January 1, 2022 | **$ 51,511** |
| December 31, 2022 | **$ 49,668** |

(VII) Intangible assets

| | | Computer software |
|---|---|---|
| Cost: | | |
| Balance on January 1, 2023 | $ | 42,411 |
| Additions in current period | | 2,594 |
| Balance on December 31, 2023 | **$** | **45,005** |
| Balance on January 1, 2022 | $ | 35,620 |
| Additions in current period | | 6,791 |
| Balance on December 31, 2022 | **$** | **42,411** |
| Accumulated amortization: | | |
| Balance on January 1, 2023 | $ | 32,994 |
| Amortization in current period | | 5,553 |
| Balance on December 31, 2023 | **$** | **38,547** |
| Balance on January 1, 2022 | $ | 27,855 |
| Amortization in current period | | 5,139 |
| Balance on December 31, 2022 | **$** | **32,994** |
| Book value: | | |
| Balance on December 31, 2023 | **$** | **6,458** |
| Balance on January 1, 2022 | **$** | **7,765** |
| Balance on December 31, 2022 | **$** | **9,417** |

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

| | | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|---|
| Operating costs | $ | 2,211 | 1,161 |
| Operating expenses | | 3,342 | 3,978 |
| Total | **$** | **5,553** | **5,139** |

(VIII) Long-term borrowings

During the fiscal year 2019, Flex Technology Inc., a subsidiary company, obtained a long-term loan of NT$6,303,000,000 from Shinshin Credit Corporation, which is a subsidiary of Yulon Finance Corporation. The loan was fully repaid in fiscal year 2022, totaling NT$1,751,000. As of December 31, 2022, the loan has been completely repaid.

(IX) Lease liabilities

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

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Current | $ 33,798 | 24,808 |
| Non-current | $ 42,018 | 25,088 |

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

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

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Interest expenses on lease liabilities | $ 848 | 725 |
| Short-term lease expenses | $ 351 | 311 |
| COVID-19-related rent concessions | $ 15 | 254 |

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

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Total cash outflow from leases | $ 34,442 | 32,075 |

The Consolidated Company leases the stores and factories usually over lease terms ranging from one to three years. At the end of a lease term, the lease term and rent need to be re-negotiated.

The Consolidated Company leases parking spaces for scooters, and these leases are low-value leases. The Consolidated Company elects to apply recognition exemptions and does not recognize 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 | $ 13,152 |
| 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 | $ 6,855 |

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 Consolidated Company expects that most of the liabilities will occur successively 1-2 years after the sales.

(XI) Employee benefits

1. Defined benefit plan

Only the Consolidated Company has defined benefit retirement plans.

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

| | 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 | **$ 30,301** | **28,737** |

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

(1) Composition of planned assets

The retirement fund allocated by our company according to the Labor Standards Act is centrally managed by the Bureau of Labor Funds under the Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). According to the "Regulations for the Receipt, Custody, and Utilization of Labor Retirement Funds," the minimum annual return on the fund's investments must not be lower than the return calculated based on the interest rate of a two-year fixed deposit at a local bank.

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:

| | | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|---|
| 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 loss (gain) resulting from empirical adjustments | | 3,960 | (810) |
| — Actuarial loss (gain) arising from changes in financial assumptions | | 947 | (10,053) |
| Defined benefit obligations on December 31 | **$** | **87,674** | **96,319** |

(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:

| | | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|---|
| 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 planned assets (excluding current interest) | | 222 | 4,589 |
| Fair value of defined benefit planned assets on December 31 | **$** | **57,373** | **67,582** |

(4) Changes in cap asset effects

The Consolidated Company had no cap asset effect change in the defined benefit plans of 2023 and 2022.

(5) Expense recognized and included in profit or loss

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

| | | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|---|
| Current service cost | $ | 134 | 121 |
| Interest on net defined benefit liabilities | | 471 | 319 |
| | **$** | **605** | **440** |
| Operating costs | $ | 330 | 175 |
| Operating expenses | | 275 | 265 |
| | **$** | **605** | **440** |

(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:

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Discount rate | 1.625% | 1.750% |
| Future salary increase rate | 3.00% | 3.00% |

The expected appropriation paid by the Company to the defined benefit plan within one year after December 31, 2023 amounted to NT$3,855,000.

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

(7) Sensitivity analysis

Ason December 31, 2023 and 2022, the carrying amount of the Company's net defined benefit liabilities was NT$30,301,000 and NT$28,737,000, respectively. When the applied discount rate and employee salary adjustment rate increased or decreased by 0.25%, the changes in the present value of the Company's defined benefit obligations as of December 31, 2023 and 2022 are as follows:

| | 2023.12.31 | | | |
|---|---|---|---|---|
| | Discount rate | | Rate of salary changes | |
| | Increase of 0.25% | Decrease of 0.25% | Increase of 0.25% | Decrease of 0.25% |
| Increase(decrease) in present value of defined benefit obligations | $ (1,874) | 1,935 | 1,872 | (1,822) |

| | 2022.12.31 | | | |
|---|---|---|---|---|
| | Discount rate | | Rate of salary changes | |
| | Increase of 0.25% | Decrease of 0.25% | Increase of 0.25% | Decrease of 0.25% |
| 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. In contrast, the overseas subsidiaries allocate retirement funds in compliance with the applicable local laws and regulations. There is no statutory or constructive obligation for the Consolidated Company to pay additional amount, if the Consolidated Company has allocated fixed amount to the Bureau of Labor Insurance.

The retirement benefit expenses under the defined contribution plan of the Consolidated Company for 2023 and 2022, were NT$11,921,000 and NT$11,201,000, respectively.

(XII) Income tax

1. Income tax expenses

The details of income tax expense of the Consolidated Company in 2023 and 2022 are as follows:

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Income tax expenses in current period | | |
| Income tax from current income | $ 136,848 | 85,057 |
| Adjustment of current income tax incurred in the preceding period | (2,716) | (15,012) |
| | 134,132 | 70,045 |
| Deferred income tax expenses | | |
| Occurrence and reversal of temporary differences | (12,128) | 60 |
| Income tax expenses | $ 122,004 | 70,105 |

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

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| 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 | - |
| | $ (31,357) | 70,159 |

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

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Net profit before tax | $ 588,641 | 305,485 |
| Income tax calculated at the domestic tax rate of the Company | $ 117,728 | 61,097 |
| Overestimate in the previous period | (2,716) | (15,012) |
| Tax on undistributed earnings | - | 19,242 |
| Others | 6,992 | 4,778 |
| | $ 122,004 | 70,105 |

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 |
|---|---|---|---|---|
| **January 1 ,2023** | 4,679 | 54,096 | 6,085 | 64,860 |
| Statement of profit or loss - credit (debit) | $ (624) | 5,068 | 3,866 | 8,310 |
| Other comprehensive profit or loss - credit (debit) | 937 | - | - | 937 |
| **December 31, 2023** | $ 4,992 | 59,164 | 9,951 | 74,107 |
| **January 1, 2022** | $ 9,528 | 51,528 | 6,954 | 68,010 |
| Statement of profit or loss - credit (debit) | (1,759) | 2,568 | (869) | (60) |
| Other comprehensive profit or loss - credit (debit) | (3,090) | - | - | (3,090) |
| **December 31, 2022** | $ 4,679 | 54,096 | 6,085 | 64,860 |

Deferred income tax liabilities:

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

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.

2. Capital surplus

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Premium on share issuance | $ 72,650 | 72,650 |
| Difference between actual disposal of subsidiary equity and book value | 1,463 | - |
| | **$ 74,113** | **72,650** |

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.

The general shareholders' meeting passed the resolutions for the 2023 and 2022 earnings distribution proposal on June 14, 2023 and June 9, 2022, respectively. The dividends distributed to owners are as follows:

| | 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 | **$ 211,268** | 3.70 | **217,137** |

On March 13, 2024, the Company's Board of Directors proposed the Company's surplus distribution scheme of 2023 as follows:

| | Fiscal Year 2023 | |
|---|---|---|
| | **Dividend per share (NT$)** | **Amount** |
| Dividends distributed to owners of ordinary shares: | | |
| Cash | $ 5.40 | **$ 316,902** |

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 profit or loss | Remeasurement 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 gains on financial assets at fair value measurement through other comprehensive profit or loss | - | (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 | **$ 20** | **252,022** | **(10,396)** | **241,646** |
| Balance on January 1, 2022 | $ - | 124,064 | (19,010) | 105,054 |
| Unrealized gains on financial assets at fair value measurement through other comprehensive profit or loss | - | 263,409 | - | 263,409 |
| Determination of net after tax actuarial gains and losses of benefit plans | - | - | 12,362 | 12,362 |
| Balance on December 31, 2022 | **$ -** | **387,473** | **(6,648)** | **380,825** |

(XIV) Earnings per share

1. Basic earnings per share

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

2. Diluted earnings per share

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Net income attributable to holders of the Company's ordinary shares | 460,828 | 228,270 |
| 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 potentially dilute ordinary shares ) | 59,537 | 59,546 |
| Diluted earnings per share (NT$) | 7.74 | 3.83 |

(XV) Revenue from customer contracts

1. Breakdown of income

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Main product/service lines: | | |
| Business computer | $ 1,432,326 | 1,790,672 |
| Rugged computer | 1,494,277 | 846,588 |
| Repair and maintenance services and others | 62,471 | 71,106 |
| | $ 2,989,074 | 2,708,366 |

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

2. Contract balance

| | 2023.12.31 | 2022.12.31 | 2022.1.1 |
|---|---|---|---|
| Notes and accounts receivable (related parties) | $ 429,522 | 107,863 | 72,455 |
| Less: Allowance for losses | - | - | (723) |
| Total | $ 429,522 | 107,863 | 71,732 |
| Contract liabilities (including related parties) | $ 237,639 | 246,664 | 263,911 |

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

The contract liabilities mainly arise from advances received from the sales of rugged computers, which will be reclassified to revenue when the Consolidated Company delivers the products to clients. The initial balance of contract liabilities on January 1, 2023 and 2022, which were recognized as revenue, respectively, amounted to NT$78,600,000 and NT$87,474,000, respectively.

(XVI) Remuneration to employees and directors

As per the Company's Articles of Incorporation, if it makes a profit for a year, it shall allocate 5% to 10% of the profit as employee remuneration and no more than 3% as directors' 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).

(XVII) Non-operating income and expenses

1. Interest income

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Interest income from cash in banks | $ 5,452 | 2,919 |
| Other interest income | 4,407 | 5,993 |
| | **$ 9,859** | **8,912** |

2. Other income

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Dividend income | $ 6,796 | 16,338 |
| COVID-19-related rent concessions | 15 | 254 |
| Others | 1,155 | 1,559 |
| | **$ 7,966** | **18,151** |

3. Other gains and losses

| | Fiscal Year 2023 | Fiscal Year 2022 |
| --- | --- | --- |
| Foreign exchange gains (losses) | $ (9,149) | 13,155 |
| Net gain on financial assets at fair value through profit or loss | 339 | 225 |
| Gain on disposal of property, plant and equipment | (108) | 44 |
| Others | (141) | 4 |
| | **$ (9,059)** | **13,428** |

4. Financial cost

| | Fiscal Year 2023 | Fiscal Year 2022 |
| --- | --- | --- |
| Interest expense: | | |
| Borrowings from non-financial institutions | $ - | (87) |
| Lease liabilities | (848) | (725) |
| Others | (47) | (16) |
| | **$ (895)** | **(828)** |

(XVIII) Financial instruments

1. Types of financial instruments

(1) Financial assets

| | 2023.12.31 | 2022.12.31 |
| --- | --- | --- |
| 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 | 311,156 | 488,751 |
| Notes and accounts receivable (related parties) | 429,522 | 107,863 |
| Other payables (including related parties) | 5,004 | - |
| Other financial assets - current | 206,100 | 206,100 |
| Other current assets - guarantee deposits paid | 8,500 | 5,600 |
| Total | **$ 1,826,257** | **1,882,844** |

(2) Financial liabilities

| | | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Financial liabilities at amortized cost: | | | |
| Lease liabilities | $ | 75,816 | 49,896 |
| Notes and accounts payable (including related parties) | | 153,386 | 202,834 |
| Other accounts payable | | 150,795 | 108,494 |
| Total | **$** | **379,997** | **361,224** |

2. Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount of credit risk exposure. The Consolidated Company's maximum amounts of credit risk exposure as of December 31, 2023 and 2022 were NT$1,826,257,000 and NT$1,882,844,000, respectively.

(2) Concentration of credit risk

A significant concentration of credit risk that occurs when the trading counterpart to a financial instrument has a significant concentration of one person, or when there are several counterparts to a financial instrument. Most of them are engaged in similar commercial activities and have similar economic characteristics, so their ability to perform their contracts is similarly affected by economic or other conditions. Of the net accounts receivable (including accounts receivable from related parties) of the Consolidated Company as of December 31, 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 contractual maturity of the Consolidated Company's financial liabilities is analyzed as follows:

| | Contractual cash flows | Less than 6 months | 6-12 months | 1-2 year(s) | 2-5 years |
|---|---|---|---|---|---|
| **December 31, 2023** | | | | | |
| Notes and accounts payable(including related parties) | $ (153,386) | (153,386) | - | - | - |
| Lease liabilities | (77,837) | (17,901) | (16,831) | (22,884) | (20,221) |
| Other payables(including related parties) | (150,795) | (150,795) | - | - | - |
| | **$ (382,018)** | **(322,082)** | **(16,831)** | **(22,884)** | **(20,221)** |
| **December 31, 2022** | | | | | |
| Notes and accounts payable (including related parties) | $ (202,834) | (202,834) | - | - | - |
| Lease liabilities | (50,907) | (15,744) | (9,567) | (12,783) | (12,813) |
| Other payables (including related parties) | (108,494) | (108,494) | - | - | - |
| | **$ (362,235)** | **(327,072)** | **(9,567)** | **(12,783)** | **(12,813)** |

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

4. Exchange rate risk

(1) Risk exposures of foreign exchange rate risk

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

| | **2023.12.31** | | | **2022.12.31** | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **NT$** | **Foreign currency** | **Exchange rate** | **NT$** |
| Financial assets | | | | | | |
| Monetary item | | | | | | |
| USD | $ 13,645 | 30.705 | 418,970 | 4,819 | 30.710 | 147,991 |
| Financial liabilities | | | | | | |
| Monetary item | | | | | | |
| 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 Consolidated Company's exchange rate risk mainly comes from cash and cash equivalents, accounts receivable (including related parties), accounts payable, and other payables (including related parties) in foreign currencies, and foreign exchange gains and losses arise during translation. If the NT$ depreciated or appreciated by 1%against USD as of December 31, 2023 and 2022, with all other variables remaining unchanged, the Consolidated Company's net income before tax for the end of 2023 and 2022 would have increased or decreased by NT$4,162,000and 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$9,149,000) and NT$13,155,000, respectively.

5. Interest rate risk

As of December 31, 2023 and 2022, the Consolidated Company had no interest-bearing debt obligation, and the change in interest rate did not have significant influence on the Consolidated Company's financial assets value. Therefore, the Consolidated Company's management believes that the change in interest rate has no significant influence on the short-term profit or loss of the Consolidated Company.

6. Fair value information

(1) Financial instruments not at fair value

The Consolidated Company's management believes that the carrying amounts of financial assets and financial liabilities at amortized cost in the financial statements approximate their fair values.

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

The Consolidated Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. 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 |
| | **$ 865,975** | **847,713** | **-** | **18,262** | **865,975** |

| | 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 | **$ 20,030** | **20,030** | **-** | **-** | **20,030** |
| 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 |
| Total | **$ 1,054,500** | **1,034,681** | **-** | **19,819** | **1,054,500** |

There were no financial assets and liabilities transferred at fair value levels 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.

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

Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the 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 fair values of the unlisted stocks held by the Consolidated Company without active markets are mainly valuated using the income approach based on a discounted cash flow model. It is mainly assumed that the expected future cash flow from the investees will be discounted and measured at the return on investment that reflects the time value of money and investment risk.

(4) Details of changes in the level 3

| | Financial assets at fair value through other comprehensive income |
|---|---|
| | **Equity instruments** |
| January1,2023 | $ 19,819 |
| Total profit or loss | |
| Recognized in other comprehensive profit or loss | (1,557) |
| December 31, 2023 | **$ 18,262** |
| January 1, 2022 | $ 24,683 |
| Total profit or loss | |
| Recognized in other comprehensive profit or loss | (4,864) |
| December 31, 2022 | **$ 19,819** |

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

(5) Quantitative information on measurement of significant unobservable fair value input (Level 3)

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

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 of equity capital, the lower the fair value |

(6) Analysis of sensitivity of Level 3 fair value to reasonably possible alternative assumptions

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

| | | | Changes 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 |

The Consolidated Company’s favorable and unfavorable changes refer to the fluctuations of fair values, and fair values are calculated with the valuation techniques based on different unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs.

(XIX) Financial risk management

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

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

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

1. Credit risk

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

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

2. Liquidity risk

Liquidity risk relates to the risk that the Consolidated Company is not able to deliver cash or other financial assets to settle its financial liabilities and fail to meet its relevant obligations. The capital and working capital of the Consolidated Company is sufficient to meet all contractual obligations. Therefore, there is no liquidity risk arising from the inability to raise funds to meet contractual obligations.

3. Market risk

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

(1) Exchange rate risk

The Consolidated Company is exposed to exchange rate risk arising from sales and purchasing transactions that are not denominated in the functional currency (NT$) of the Consolidated Company. The major currency in which these transactions are denominated in US$. The management of the Consolidated Company believes that, apart from continuously managing the foreign currency net exposure within acceptable levels, the exchange rate risk of the merged company is also not significant.

(2) Interest rate risk

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

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

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

The sensitivity analysis of equity instrument price risk is based on changes in fair value at the end of the financial reporting period. If the price of the equity instruments increase/decrease by 5%, the amount of other comprehensive profit or loss for 2023 and 2022 would have increased/decreased by NT$42,386,000 and NT$51,734,000, respectively.

(XX) Capital management

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

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

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Total liabilities | $ 936,349 | 886,594 |
| Less: cash and cash equivalents | 311,156 | 488,751 |
| Net liabilities | $ 625,193 | 397,843 |
| Total equity | $ 2,557,819 | 2,429,068 |
| Capital and liability ratio | 24.44% | 16.38% |

There has been no significant change in the management of the Consolidated Company's capital in 2023.

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

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

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | 2023.1.1 | Cash flows | Additions | The effects of changes in foreign exchange rates | 2023.12.31 |
| Lease liabilities | $ 49,896 | (33,243) | 59,163 | - | 75,816 |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | 2022.1.1 | Cash flows | Additions | Decrease | 2022.12.31 |
| Long-term borrowings (including those due within one year) | $ 1,751 | (1,751) | - | - | - |
| Lease liabilities | 51,527 | (31,039) | 35,560 | (6,152) | 49,896 |
| Total liabilities from financing activities | $ 53,278 | (32,790) | 35,560 | (6,152) | 49,896 |

## VII. Related-Party Transactions

(I) Name of related party and relations

The related parties with transactions with the Consolidated Company during the period covered by these consolidated financial statements are as follows:

| Name of related party | Relations with the Consolidated Company |
|---|---|
| Roda Computer GmbH | The Consolidated Company is one of the company's three shareholders |
| Chou Yung-Hsiang | One of the Consolidated Company's key management personnel |

(II) Significant Transactions with Related Parties

1. Operating revenue

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Other related parties | | |
| Roda Computer GmbH | 781,274 | 336,373 |

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, have been extended to up to 90 days starting from July 2023 based on the sales conditions.

2. Accounts receivable from related parties

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Other related parties | | |
| Roda Computer GmbH | $ 309,437 | 11,683 |

3. Other payables (including related parties)

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Other related parties | | |
| Roda Computer GmbH | $ 5,004 | - |

Accrued dividends that are payable to related parties.

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

| | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Other related parties | | |
| Roda Computer GmbH | $ 43,694 | 53,593 |

5. Repair and maintenance and other operating revenue

| | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Other related parties | | |
| Roda Computer GmbH | $ 4,452 | 3,490 |

All receivables from the above transactions have been received.

6. Technical service, repair and maintenance, and other fees

| | Fees on technical service, repair and maintenance, and others | | Other accounts payable | |
|---|---|---|---|---|
| | **Fiscal Year 2023** | **Fiscal Year 2022** | **2023.12.31** | **2022.12.31** |
| Other related parties | $ 950 | 1,024 | 95 | 2,010 |

7. Equity transaction

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.

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

| | **Fiscal Year 2023** | **Fiscal Year 2022** |
|---|---|---|
| Short-term employee benefits | $ 21,804 | 17,314 |
| Post-employment benefits | 297 | 108 |
| | $ 22,101 | 17,422 |

## VIII. Pledged Assets

The details of the book values of the assets pledged by the Consolidated Company are as follows:

| Name of asset | Item pledged as collateral | 2023.12.31 | 2022.12.31 |
|---|---|---|---|
| Time deposit (under "other non-current assets") | Customs guarantee | 1,000 | 200 |

## 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 and depreciation and amortization expense are summarized by function as follows:

| By function / By nature | Fiscal Year 2023 | | | Fiscal Year 2022 | | |
|---|---|---|---|---|---|---|
| | Related to operating costs | Related to operating expenses | Total | Operating costs | Operating expenses | Total |
| Cost of employee benefits | | | | | | |
| Salary and wages | 117,278 | 189,600 | 306,878 | 84,465 | 172,326 | 256,791 |
| Labor and health insurance | 8,944 | 16,334 | 25,278 | 7,819 | 15,826 | 23,645 |
| Pension | 4,215 | 8,311 | 12,526 | 3,654 | 7,987 | 11,641 |
| Other employee benefits | 1,574 | 2,637 | 4,211 | 829 | 2,188 | 3,017 |
| Depreciation expense | 23,261 | 30,273 | 53,534 | 19,172 | 29,853 | 49,025 |
| Amortization expense | 2,211 | 3,342 | 5,553 | 1,161 | 3,978 | 5,139 |

## XIII. Additional Disclosures

(I) Information on Related Significant Transactions

In accordance with the requirements of the Preparation Standards, for the year 2023, the information related to significant transactions that should be disclosed is 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 | Securities Relationship of the issuer | Account items | End of the period | | | | Highest shareholding ratio during the period | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Carrying amount | Shareholding ratio | Fair value/ Net worth | | |
| The Company | Shares of Roda Computer GmbH | 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 | 8.00 % | |
| The Company | Shares of Alliance Technology Co., Ltd. | - | 〃 | 100 | - | 0.79% | - | 0.79 % | |
| The Company | Shares of Mildef Consolidated Company AB | - | 〃 | 4,196 | 847,713 | 10.53% | 847,713 | 10.93 % | |

4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT$300 Million or 20% of the Paid-in Capital: None.
5. Acquisition of Individual Property at Costs of at Least NT$300 Million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT$300 Million or 20% of the Paid-in Capital: None.
7. 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

| The company engaged in the purchase (or sale) of goods. | Transaction counterparty | Relationships | Transaction details | | | | Situation and reason of why transaction conditions are different from general transactions | | Notes and accounts receivable (payable) | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ sales | Amount | Ratio of total purchase (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 | 26.14 % | 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 | 72.04% | |

(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.

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

Unit: NT$1000

| Company Name | Transaction counterparty | 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 loss allowance |
|---|---|---|---|---|---|---|---|---|
| | | | | | 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 | - |

9. Trading in Derivative Instruments: None.

10. Business Relations and Important Transactions Between Parent Company and Subsidiaries:

Unit: NT$1000

| No. (Note 1) | Name of trader | Transaction counterparty | Relationship with transaction counterparty (Note 2) | Transaction details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Items | Amount | Transaction terms | As a percentage of consolidated total revenue or total assets (%) |
| 0 | The Company | MILDEF CRETE AUSTRALASIA PTY. LTD. | 1 | Sales income | 47,817 | Delivered in 45 days | 1.59 |
| 1 | Flexbasis | The Company | 2 | Sales income | 170,275 | Net 60 days end of the following month | 5.70 |

Note1: Businesses are coded as follows:

1. The parent company is coded "1.0".
2. The subsidiaries are coded sequentially beginning from"1"by each individual company.

Note2: The types of relations with the counterparty are indicated as follows:

1. Parent company to subsidiary
2. Subsidiary to parent company.

Note3: In disclosing the business relationships and significant transactions between the parent and subsidiary companies, only information related to sales and accounts receivable representing 0.5% or more of the consolidated revenue or assets is disclosed. Detailed information about corresponding purchases and accounts payable is not provided.

Note4: The above transactions were eliminated in the preparation of consolidated financial statements.

(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 Name | Location | Main business | Initial investment amount | | End of the period holdings | | | Highest shareholding ratio during the period | Gain or loss on investee in this period | Investment income (loss) recognized in this 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 | 28,188 | 27,208 | 2,136 | 57.73% | 28,188 | 65.30% | 44,512 | 8,166 | (Note) |
| The Company | MILDEF CRETE AUSTRALASIA PTY. LTD. | Australia | Trade | 10,706 | - | 600 | 100.00% | 10,706 | 100.00% | (1,595) | (1,595) | (Note) |

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

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

(IV) Information on Major Shareholders:

| Shares / Name of major shareholder | Number of shares held | Shareholding percentage |
|---|---|---|
| Yi-Tong Shen | 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

(I) General information

The main operating items of the Consolidated Company are the production and sales of various computer software/hardware and its peripheral equipment and other products, and the information of the operating division reviewed by the operating decision maker is a single business division.

(II) Information on the reporting division's profit and loss, assets, liabilities and measurement basis and adjustment

The accounting policies of the operating division of the Consolidated Company are the same as the summary of significant accounting policies described in Note 4. The information of the division profit and loss, the divisional assets and the divisional liabilities are consistent with the financial statements. Please refer to the consolidated balance sheets and the consolidated income statements. Operating division gains and losses are measured in profit or loss before tax and are used as a basis for management resource allocation and performance evaluation.

(III) Corporate overall information

1. Product and labor service specific information

The Consolidated Company's income information from external clients is as follows:

| Product and service name | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Laptop | $ 2,926,603 | 2,637,260 |
| Repair and maintenance services and others | 62,471 | 71,106 |
| | $ 2,989,074 | 2,708,366 |

2. Geographical information

The geographical information of the Consolidated Company is as follows, where income is classified on the basis of the geographical location of the client, while non-current assets are classified on the basis of the geographical location of the asset.

Income from external clients:

| Region | Fiscal Year 2023 | Fiscal Year 2022 |
|---|---|---|
| Taiwan | $ 1,838,152 | 1,990,673 |
| Germany | 785,726 | 336,372 |
| The UK | 106,802 | 56,932 |
| Sweden | 100,917 | 117,723 |
| U.S. | 93,275 | 195,646 |
| Other regions | 64,202 | 11,020 |
| | $ 2,989,074 | 2,708,366 |

Non-current assets:

| Region | 2023.12.31 | 2022.12.31 |
|---|---|---|
| Taiwan | $ 338,347 | 301,585 |

The above non-current assets include property, plant and equipment, right-of-use assets and intangible assets, but exclude financial instruments, investments using the equity method and deferred income tax assets.

(IV) Important client information

| | Fiscal Year 2023 | | Fiscal Year 2022 | |
|---|---|---|---|---|
| Client name | Amount | Percentage to operating income | Amount | Percentage to operating income |
| Roda Computer GmbH | $ 781,274 | 26.14 | 336,373 | 12.42 |