Stock Code: 3213

茂訊電腦股份有限公司

MilDef Crete Inc.

2023 Annual Report

Annual report website
TWSE MOPS: http://mops.twse.com.tw
Mildef Crete Website: http://www.crete.com.tw

Published on May 22, 2024

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.

I. Company Spokesman: Yong-Xiang Zhou Position: Executive deputy general manager
Tel: (02) 2662-6074 ext 501 Email: nelson.chou@mildefcrete.com
Acting Spokesman: Ya-Ping Liu Position: Finance Manager
Tel: (02) 2662-6074 ext 301 Email: ada.liu@mildefcrete.com

II. Company address and telephone number:

Location: 7F, No. 250, Sec. 3, Beishen Rd., Shenkeng District, New Taipei City
Tel: (02) 2662-6074
Taipei Office Address: 1-2F, No. 38, Section 1, Bade Road, Zhongzheng District, Taipei City
Telephone: (02) 2322-1769
Taoyuan Office Address: Room 129~130, 1st Floor, 99 Fuxing Road, Wuling Lane, Taoyuan City 330
Telephone: (03) 347-1996
Address: Room 157, No. 389, Section 1, Zhongzheng Rd., Zhongli Dist., Taoyuan City
Telephone: (03) 402-4720
Hsinchu Office Address: Room 130, No. 3, Lane 194, Section 2, Guangfu Road, Hsinchu City
Telephone: (03) 575-0496
Taichung West District Office Address: Room 108, No. 508, Yingcai Road, West District, Taichung City
Telephone: (04) 310-1992
Chiayi Office Address: 1F, No. 349, Xinrong Road, Banshe Li, West District, Chiayi City
Telephone: (05) 222-9730
Tainan Yi Ling Yi Office Address: A16, 1F, No. 226, Section 1, Beimen Road, Tainan City
Telephone: (06) 228-9032
Kaohsiung Jianguo Office Address: 1F, No. 142, Jianguo 2nd Road, Sanmin District, Kaohsiung City
Telephone: (07) 235-6287
Kaohsiung Flagship Office Address: 1F, No. 121-1, Jianguo 2nd Road, Sanmin District, Kaohsiung City
Telephone: (07) 235-6287
Kaohsiung JianWu Business Office Address: 1-3F, No. 109-17, Jianguo 2nd Road, Sanmin District, Kaohsiung City
Telephone: (07) 236-1050
Kaohsiung Jianlu Business Office Address: 1-2F, No. 121-2, Jianguo 2nd Road, 807, Sanmin District, Kaohsiung City
Telephone: (07) 235-0113

III. Stock transfer institution:

Company Name: Capital Jinding Securities Co., Ltd.
B2., No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)
Tel: (02) 2703-5000
Website: http://www.capital.com.tw

IV. Latest Annual Financial Report CPAs:

Name of CPAs: Ching-Wen Kao, Mei-Yan Chen
Name of CPAs firm: KPMG
Address: 68th Floor, No. 7, Section 5, Xinyi Road, 110615, Xinyi District, Taipei City
Tel: (02) 8101-6666 (Representative No.)
Website: http://www.kpmg.com.tw

V. Name of the place of trading in overseas securities and the way of enquiring information of such overseas securities: NIL

VI. Company Website: http://www.crete.com.tw

Table of Contents

Page

Chapter 1 **Report to shareholders** 6
Chapter 2 **Company profile** 9
Chapter 3 **Corporate Governance Report** 12
I. Organization system 12
II. Data of directors, supervisors, general manager, deputy general managers, assistant general managers, heads of departments and branches 20
III. Operation of corporate governance 50
IV. CPAs fee 128
V. Change of CPAs 128
VI. The chairman, general manager or manager in charge of financial or accounting affairs of the Company has worked in the firm to which the CPAs belong is affiliated or its affiliated enterprise within the most recent year 128
VII. Changes in equity transfer and equity pledge of directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and up to the printing date of the annual report 129
VIII. Among top 10 shareholders, information on anyone who is a related party or spouse, a relative within the second degree of kinship 130
IX. The number of shares held by the Company, its Directors, supervisors, managers and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise shall be combined to calculate the comprehensive shareholding ratio 132
Chapter 4 **Fund raising** 133
I. Capital and share 133
II. Handling of corporate bonds 140
III. Handling of preferred shares 140
IV. Handling of overseas depository receipts 140
V. Handling of employee stock option certificates 140
VI. Handling of new shares with restricted employee rights 141
VII. Merger or acquisition of shares of other companies and issuance of new shares 141
VIII. Implementation of capital utilization plan: The Company has not issued or privately placed securities in the recent year, so there is no relevant information. 141
Chapter 5 **Operation overview** 142
I. Business content 142
II. Market, production and sales overview 151
III. The number of employees, average length of service, average age and education distribution ratio of employees in the last two years and as of the printing date of the annual report 157
IV. Environmental protection expenditure 158
V. Labor relations 159
VI. Information security management 164
VII. Important contract 166
Chapter 6 **Financial overview** 167
I. Condensed financial data of the last five years 167
II. Financial analysis for the last five years 171
III. Audit Committee review report of the most recent annual financial report 174
IV. Recent Annual Financial Report 175

V. The most recent annual accountant verification company individual financial report 175
VI. The Company and its affiliated enterprises have experienced difficulties in financial turnover in the most recent year and up to the printing date of the annual report 175
Chapter 7 Review and analysis of financial position and financial performance and risk matters 176
I. Financial position 176
II. Financial performance 177
III. Cash flow 178
IV. Effect of significant capital expenditure on financial business in the most recent year 178
V. Reinvestment in recent years 178
VI. Analysis and evaluation of risk matters in the most recent year and up to the printing date of the annual report 179
VII. Other important matters 185
Chapter 8 Special records 186
I. Data of related enterprises 186
II. In the most recent year and up to the date of printing of the annual report, the handling of private placement of securities shall disclose the date and amount adopted by the shareholders' meeting or the board of directors, the basis and rationality of te price, the method of selection of specific persons, the necessary reasons for handling private placement, the object of private placement, qualification conditions, the number of subscriptions, the relationship with the company, the participation in the company's operation, the actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the impact of private placement on shareholders' equity, the use of funds, the progress of plan implementation and the manifestation of plan benefits of private placement of securities from the time of full receipt of share funds or prices to the completion of the fund application plan 187
III. In the most recent year and up to the printing date of the annual report, the subsidiaries held or disposed of shares of the Company 187
IV. In the most recent year and up to the date of printing of the annual report, whether the company has any events that have a significant impact on shareholders' equity or securities prices as specified in subparagraph 2, paragraph 3, Article 36 of the Secrities and Exchange Act 187
V. Other necessary additional clarifications 187

Chapter 1 Report to shareholders

Dear sir/madam, shareholders, investors, and distinguished guests. I'm glad to pay attention to and review the performance of Mildef Crete Inc. in 2023.

In 2023, the defense industry was a year filled with opportunities. The global COVID-19 pandemic had come to an end, and most countries had emerged from the darkness, embracing a new post-pandemic era. Based on the ongoing geopolitical turmoil around the world, countries worldwide are experiencing a gradual increase in defense budgets. The defense industry can clearly observe the signs of a boom.

However, the market is constantly evolving, and as of 2023, it continues to encounter the following challenges.

- Increasing Inflation Pressure: Inflationary pressures are on the rise in many countries, primarily due to global currency printing and supply chain disruptions, resulting in higher commodity prices.
- Trade relations between China and the United States: The ongoing trade tensions between China and the United States have led to a series of trade negotiations and tariff adjustments, which are affecting the global trade landscape.
- Russia-West Relations: The relationship between Russia and Western countries, such as Europe and North America, remains tense, particularly in geopolitical disputes in Ukraine and other regions.
- Conflict in the Middle East: Geopolitical conflicts and tensions continue to persist in the Middle East, involving multiple countries and organizations in regions such as Syria, Iraq, and Iran.
- Energy Price Volatility: The volatility of the energy market, which includes fluctuations in oil and natural gas prices, is partially attributed to geopolitical factors and climate events.
- Supply Chain Restructuring: Certain countries and companies are now reevaluating and modifying their supply chain strategies to decrease reliance on a single region.

The aforementioned events directly and indirectly affect the company's business and supply chain operations.

On the positive side, the defense budgets of various countries continue to increase due to geopolitical policies and the impact of war. The company has a long-standing presence in this industry and is confident in future demand growth. It believes that it can showcase its expertise in developing new products and market positioning, thereby seeking new profit opportunities for shareholders.

In addition, the System Manufacturing Business Department has decided to expand its production capacity in 2023. This will involve expanding the SMT production line and increasing the operational space of the factory, in anticipation of the expected capacity demand growth over the next 3 to 5 years. Given our strong products and market position, we are confident that this expansion will result in a significant increase in direct orders for the factory.

In 2023, the Channel Business Department has been impacted by the epidemic. The demand generated by the epidemic has been fulfilled, and the vacancies in the work-from-home and remote learning sectors have been filled. Consequently, the market has witnessed a decline in demand. The decline in prices and the excessive inventory pressure on laptop products in the distribution channels still need time to be resolved. Currently, the demand is being met and the market is weak. Hopes that the new AI-PC can stimulate new consumer demand and boost sales of AI laptops to achieve exceptional results.

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

The overall financial performance of the company in 2023 is as follows:

I. Operating results:

In 2023, the Company's consolidated turnover was NT$2.99 billion, an increase of 10.33% compared with NT$2.71 billion in 2022. The after-tax profit attributable to the parent company was NT$460 million, representing an increase of 100.00% from NT$230 million in 2022.

II. Financial revenue and expenditure (consolidated company):

Unit: NT$1,000

Item	2023	2022	Increase (decrease) ratio (%)
Operation interests	580,770	265,822	118.48
Net non-operating income and expenditure	7,871	39,663	(80.16)
Net income before tax	588,641	305,485	92.69
After-tax earnings per share	7.85	3.89	101.80

III. Profitability (consolidated companies):

Item		2023	2022
Return on assets (%)		13.73	7.52
Return on shareholders' equity (%)		18.71	10.30
Ratio to paid-in capital (%)	Operation interests	98.96	45.30
	Net income before tax	100.30	52.05
Net profit rate (%)		15.61	8.69
Retroactive adjustment of earnings per share (NT$)		7.85	3.89

Research and development

The R&D expenses in 2023 were NT$86.7 million, representing an increase of 24.21% as compared with NT$69.8 million in 2022, which was mainly due to the upgrading of existing model platforms and the development of special models for regional clients. We completed the development of 14 Series and started to prepare products for Android platform. To prepare for the new market, we have invested in R&D and started to develop targeted products for the mining market.

Operation project and future development strategy

Channel Business Department hopes that the new AI-PC can stimulate new consumer demand and boost sales of AI laptops to achieve exceptional results.
The System Manufacturing Business Department has released the Intel next-generation 14th generation Meteor Lake product series this year, bringing new vitality to the market and its partners,

and stimulating customized demand services. The System Manufacturing Business Department continuously updates the equipment in the plant at the same time, replaces the old equipment, and purchases new equipment to strengthen the production capacity of the system. We have strengthened the production and manufacturing ERP system, strengthened the quality control, provided optimization and change rate for customized production, and greatly improved the efficiency of production. We are preparing handheld products for the Android system platform in terms of technical extension, constantly strengthening our integration ability, providing customized solutions for customer application devices on different operating systems, and providing one-stop services for customers.
We continue to invest in new markets. Market research, personnel investment, and product development are all in progress simultaneously. The core value of the System Manufacturing Business Department is that we can provide customized products under customer needs. Many products in the market can not meet the application needs of special industries. The Mildef Cretes can provide customers with complete product solutions. The global customer system is also the strategic goal of Mildef Crete. It is not only the challenge of constantly expanding new fields but also the growth space in the future.

Estimated sales quantity and basis
Digital transformation is pervasive. Alongside the business prospects presented by industrial digital transformation, drones in the Russo-Ukrainian war are also regarded as an instance of defense digital transformation. The demand for defense equipment is being accelerated by the robust industrial computer factory, the digital transformation of national defense, and geopolitical changes. This will continue to drive growth momentum and sales volume in the coming years.

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

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

Thank you!

Best wishes Good health and good luck
Good health and good luck

Chairman: Yi-Tong Shen

Chapter 2 Company profile

I. Date of establishment: March 15, 1990

II. Company history:

Year	Month	Important notes
1990	3	◎ The company is located at 7-12F, No. 391, section 4, Xinyi Road, Taipei. The established capital is NT$64 million and the paid-in capital is NT$16 million. It is engaged in the manufacturing and sales of notebook computers. The chairman is Mr. Yi-Tong Shen, the founder.
	6	◎ Launched the first product: A4 notebook computer MTL 386SX. This model is the first A4 size computer in Taiwan with 80386SX CPU, built-in data card (9600 / 2400bps) and built-in scanner control card (scanner).
	10	◎ Purchased the plant on the 6th floor, No. 250, section 3, Beishen Road, Shenkeng Township, Taipei County.
1991	1	◎ Established Amrel Technology Inc. (ATI), a branch company in the United States, with 100% shares holding and application for permission from the Investment Commission of the Ministry of Economic Affairs.
	9	◎ Moved to 6F, No. 250, section 3, Beishen Road, Shenkeng Township, Taipei County.
1992	6	◎ The SLT 486 model was launched. For the first time, the extended functions and output / input interface were configured on the machine at the same time, and the power connection and push out device were added. These functions have become the design standard of docking station in the future.
1995	12	◎ It has passed the ISO-9002 quality certification of the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs, which is the guarantee of high quality. In the same month, the CD-586 model was launched, creating a full-function precedent for domestic CD-ROM, floppy disk and battery portable multimedia computers.
1997	1	◎ Kuo Fong Group is optimistic about the future of the Company and invests in it, with Mr. Lin Xue-Pu as the chairman. Mr. Yi-Tong Shen, the former chairman, served as the general manager.
	3	◎ Invested in Amrel Systems, Inc. (ASI) in California of US, holding 100% of the shares, and applied to the Investment Commission of the Ministry of Economic Affairs for permission.
	9	◎ Purchased the latest automatic production equipment to improve product quality and increase product competitiveness.
	11	◎ ATI, the US branch company, cancelled its legal person registration and closed its business because its operation was not as expected. In the same month, the Company invested in Swedish Login Crete AB (LOGIN), holding 28% of the shares, and applied to the Investment Commission of the Ministry of Economic Affairs for permission.
1998	4	◎ The Taipei branch was established to meet the needs of business expansion. Mr. Yi-Tong Shen, the general manager, concurrently served as the manager of the branch.
2000	8	◎ Due to the busy business of chairman Lin Xue-Pu, Mr. Yi-Tong Shen, general manager, was appointed as chairman of the board.
2001	6	◎ Invested and held 90% shares of Amrel systems, LLC. (ASLLC) in

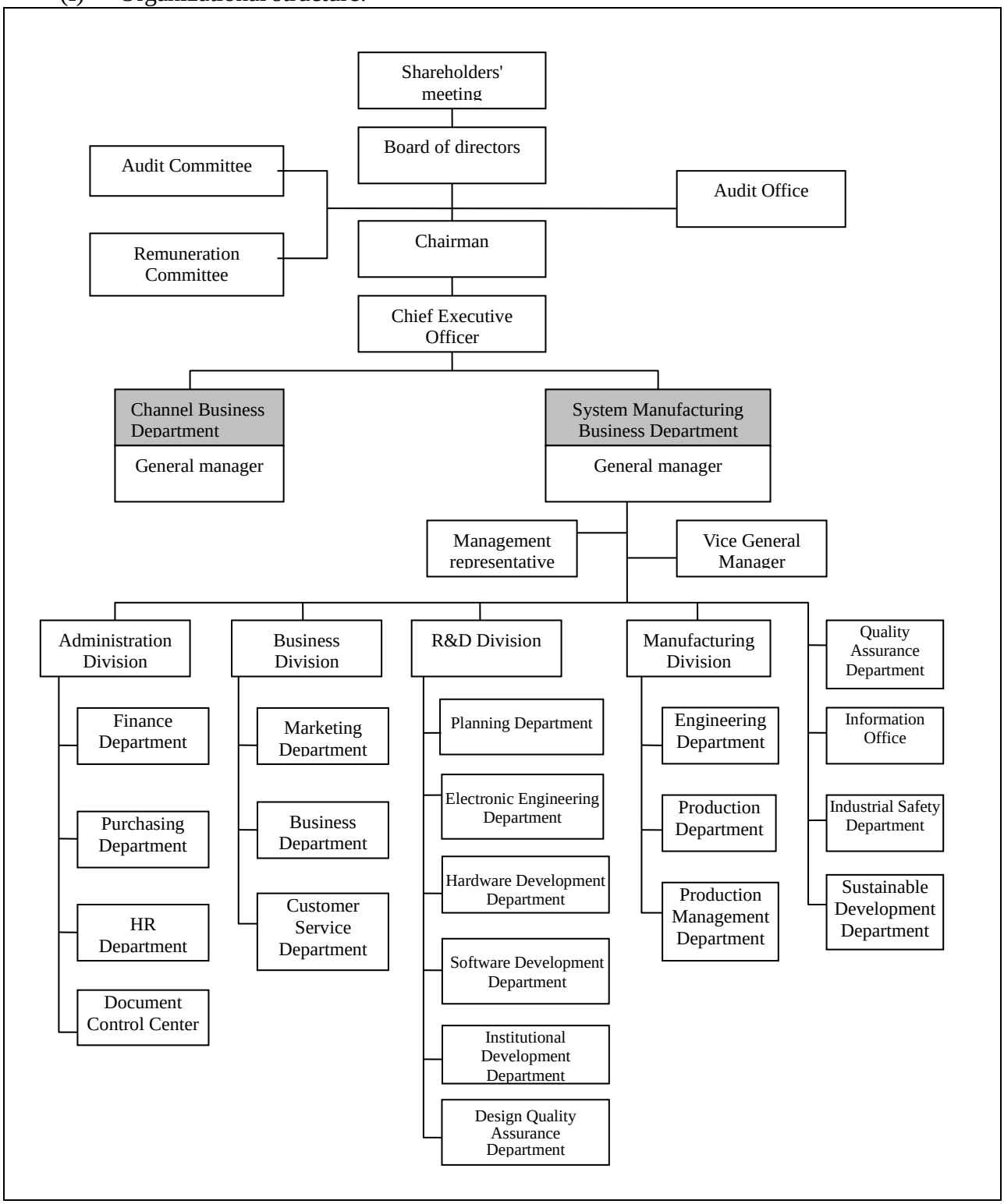
Year	Month	Important notes
		California and applied for permission from the Investment Commission of the Ministry of Economic Affairs.
2002	6	◎ In order to strengthen the cohesion of employees, Amrel Systems LLC. (ASLLC), the US subsidiary, increased its capital by US$100,000 in cash, and the shares held by the Company were changed to 75%.
	7	◎ Purchased the plant on the 7th floor.
	9	◎ Become a public company.
2003	7	◎ Listed on emerging stock market.
2004	2	◎ Purchased the plant on the 7th floor.
	4	◎ Sold the original plant on the 6th floor to Motech Industries Inc., and changed the business address to the 7th floor.
	10	◎ Listed on TPEx.
2005	10	◎ It has passed the certification of ISO 14001 environmental management system by the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs.
2006	12	◎ Amrel Systems LLC. (ASLLC), the US subsidiary, continued to suffer losses and was closed by resolution of the board of directors on January 31, 2007. The equity method was discontinued this month and liquidation losses were recognized.
2009	12	◎ Considering the demand for future capacity planning, the plant on the 4th floor, No. 252, section 3, Beishen Road, Shenkeng Township, Taipei county was newly purchased. It is planned to be an incoming inspection area, raw material warehouse, semi-finished product warehouse and finished product warehouse.
2010	6~8	◎ In June and August, in order to increase business dealing and cooperation, we invested NT$104 thousand (25 thousand SEK) and NT$469 thousand (US$15 thousand) respectively in 25% equity of MilDef AB and 10% equity of Strategic Alliance Corporate Services Pte Ltd.
2011	4~5	◎ In April, MilDef AB was renamed MilDef Technology AB; Login Crete AB was renamed MilDef AB. The Company also increased its investment in MilDef Technology AB by NT$5,372,000 in April and May, holding 33.33% of equity.
	6	◎ For business needs, the English name of the Company was changed from the original CReTE System Inc. to Mildef Crete Inc. through the shareholders' meeting.
2012	6	◎ Based on the tax consideration, the original shareholder of Mildef AB set up another Mildef Invest AB in Sweden, which fully holds Mildef AB.
2013	6	◎ In order to obtain technical resources related to R&D, we invested in Piccania Limited and held 4.3875% of equity.
	9	◎ Increased the investment in MilDef Technology AB and changed the shareholding to 50.00%.
	12	◎ As the phased task of MilDef Technology AB (hereinafter referred to as MTG) has come to an end, in order to cooperate with the handling of liquidation matters, MTG shares were transferred and 22.5% of the equity of

Year	Month	Important notes
		MilDef Ltd. held by MTG was obtained according to the shareholding ratio.
104	11	◎ MilDef Invest AB was renamed MilDef Group AB.
	12	◎ In order to stimulate employee morale, MilDef Ltd sold 3.75% of its equity to its employees, and the shareholding ratio of the Company became 18.75%.
2017	1	◎ In order to effectively grasp the supply schedule and quality of key materials, the Company participated in the newly established investment of Flexbasis Technology Inc., with the Company holding 40%.
	2	◎ In order to integrate more closely with dealers, the Company purchased an additional 11% equity of "Roda Computer GmbH", and the shareholding ratio was increased from 8% to 19%.
2018	2	◎ In order to cooperate with the operation planning of MilDef Group AB, the Company will convert its 18.75% share of MilDef Ltd into an increased share of MilDef Group AB. The Company's shareholding in MilDef Group AB was changed to 30.74%. Mildef Ltd was changed to be 100% owned by Mildef Group AB.
	8	◎ Purchased the workshop on the 4th floor, No. 254, section 3, Beishen Road, 222, Shenkeng District, New Taipei City.
2019	4	◎ Purchased the shares of Flexbasis Technology from the shareholders of Flexbasis Technology, and the shareholding change of the Company is 55%.
	11	◎ Disposed of 10% equity of Strategic Alliance Corporate Services Pte Ltd.
2020	10	◎ Disposed of 11% equity of Roda Computer GmbH, and the change of shareholding ratio is 8%.
2021	6	◎ Purchased the shares of Flexbasis Technology from the shareholders of Flexbasis Technology, and the shareholding change of the Company is 65.30%.
		◎ Mildef Group AB issued new shares to acquire subsidiaries in the first quarter, and the Company disposed of some of its shares. The company increased its capital and went public on June 4, resulting in a change in the Company's shareholding of 12.23%.
2023	1	◎ To expand overseas markets, established a subsidiary in Australia Mildef Crete Australia Asia Pty. , 100% shareholding.
	3	◎ Transfer of Flexbasis Technology Inc., Ltd shares, the Company's shareholding transaction was 57.73%.
2024	1	◎ Transfer of Flexbasis Technology Inc., Ltd shares, the Company's shareholding transaction was 56.22%.

Chapter 3 Corporate Governance Report

I. Organization system:

(I) Organizational structure:



(II) Business of main departments:

Department	Main responsibilities
Audit Office	Subordinate to the Board of Directors (1) Supervise and improve the implementation effect and independence of internal audit, and report to the board of directors regularly. (2) Check and evaluate the appropriateness of the internal control system and supervise its effective application. (3) Be responsible for the audit of the company's business, finance and operation, abnormal analysis and facts, and provide improvement suggestions. (4) Inspect and protect the safety of the company's assets, and assist the management in implementing the company's internal rules and regulations.
Chief Executive Officer	1. The resolution of the Executive Board of Directors, whether internal or external, is the highest authority decision-maker of the company, and has the right to manage affairs and sign for the company within the scope of authorization specified in the articles of association or contract. 2. And be responsible for the leadership, commitment to the quality and environmental management (green products, the same below) system, and ESG sustainable policy to ensure the integrity of the quality, environmental management system, and sustainable development policy. (1) Assume responsibility for the effective operation of the quality, environmental management system, and ESG sustainable development. (2) Ensure that the management system establishes quality and environmental policy objectives that align with the strategic goals of organizational sustainable development. (3) Ensure that the requirements of the management system are integrated into the business operation process of the organization. (4) Ensure that the resources required by the management system are available. (5) Ensure the importance of effective management system, communication and integration with the organization's operation process, so as to achieve its expected results. (6) Commit, guide and support employees to contribute to the effectiveness of the management system. (7) Promotion and improvement. (8) Support other relevant management roles and show their leadership in their areas of responsibility. 3. Comprehensively manage the business planning of the Company's future development, the command, supervision and promotion of various businesses, and directly manage the System Manufacturing Business Department and Channel Business Department. (1) System Manufacturing Business Department: The general manager shall be appointed to directly supervise the Administration Division, Business Division, R&D Division, Manufacturing Division, Quality Assurance Department, Information Office, Audit Office, Industrial Safety Department, and Sustainable Development Department. The deputy general manager shall be appointed to assist the general manager and be responsible for supervising, coordinating and monitoring

Department	Main responsibilities
	the implementation process of the green product system to implement the system. In addition, quality management representative, environmental management representative and green management representative shall be appointed to be responsible for the establishment, promotion and contact of relevant quality, environment and green product systems. (2) Channel Business Department: The general manager shall be appointed to be responsible for the strategic operation and implementation of objectives of computer market channels in Taiwan.
Administration Division of System Manufacturing Business Department	Adhering to the order of the general manager, take charge of the Company's finance, personnel, procurement, general affairs, public relations and other matters. There are Finance Department, Purchasing Department, HR Department and Document Control Center.
Finance Department	Be responsible for the financial and tax planning and management of the two business departments within the organization of the company. The duties are as follows: (1) Credit line application, fund dispatching, fund raising and control with financial institutions. (2) Cashier operations, custody of cash, bank transactions, receipt, redemption and transfer of bills. (3) Tax planning, tax refund, preparation of financial statements, business analysis, expense analysis, reconciliation of overseas companies. (4) Reconciliation of accounts receivable, collection and control of customer credit transaction limit. (5) Salary payment, accounts payable accounting processing, cost analysis, inventory counting, fixed assets management. (6) The planning and operation of stock affairs operations and the convening of functional meetings such as the shareholders' meeting, the board of directors and the audit committee.
HR Department	Be responsible for the management of human resources, legal affairs and insurance of the two major business departments within the organization of the company, and the duties are as follows: (1) Personnel management system formulation and implementation, recruitment and publication, employee data login and maintenance, salary management, salary settlement and declaration, labor health insurance and retirement management, performance appraisal management, employee retirement settlement, severance notification, employee consultation and assistance and other affairs. (2) Education and training planning and implementation (quality / environmental protection and other training). (3) The convening and planning of meetings of the labor conference, the labor retirement supervision committee and the remuneration Committee. (4) Legal matters such as legal attest letter, summary petition and draft contract, legal consultation, etc. (5) Printing of lease agreement and contract agreement, custody of contracts and leases, patents and certificates. (6) Insurance underwriting planning and policy management of property insurance (movable and real estate) and liability insurance.

Department	Main responsibilities
Purchasing Department	(1) Inquire, compare and negotiate prices with suppliers before ordering and expediting delivery. (2) Develop new parts and second suppliers and propel the recognition of samples. (3) Return and exchange of incoming defective products. (4) Provide material cost and report market situation. (5) Evaluate the quality, environment and supply capacity of suppliers, and follow up the ordering and delivery documents. (6) Assist green suppliers in establishing green product standards, and evaluate the production capacity together with relevant departments when necessary. (7) Assist green suppliers in environmental compliance, and ensure that their products meet standards and control measures. (8) Ask the supplier for non-use certificate (recognition stage and mass production stage), green product test report or commitment letter of environmental restricted substances of green products. (9) Select and evaluate qualified suppliers of green products according to the standards of environmental restricted substances. (10) Assist in explaining the responsibilities and obligations of Mildef Crete for the green product system to the supplier. (11) General affairs matters such as the management of switchboard, stationery, business machines, air conditioner and official vehicles, and the purchase and management of appliances and sundries. (12) Assist suppliers in communication and control of environmental protection matters. (13) Responsible for the management of drinking water.
Document Control Center	(1) Control of the quality manual, various operation procedures and supporting documents of the Company's quality system. (2) Control of environmental management manual, various operating procedures and supporting documents of the Company's environmental management system.
Business Division of System Manufacturing Business Division	Adhering to the order of the general manager, based on the principles of quality and environmental management, with the goal of achieving performance and creating the maximum profit of the company, it has set up a marketing department, a business department and a customer service department.
Marketing Department	(1) Collect market information, technology, quality and environmental protection and provide them to the supervisor and R&D Division. (2) Formulation of price policy and market planning and estimation. (3) Plan and handle advertising and exhibition matters. (4) Accept suggestions from customers, manufacturers and the Company, or actively collect data and plan new product proposals. (5) Draft initial product specifications.
Business Department	(1) Develop, investigate, select, contact and serve customers at home and abroad. (2) Review of contracts and orders, contact and coordination of production, sales and shipment control. (3) Contact and handle customer complaints and maintenance. (4) Report abnormal quality information to R&D Division and Manufacturing Division, collect and provide technical data to customers. (5) Receive the maintenance materials and sporadic spare materials required

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

Department	Main responsibilities
Development Department	related parts. (2) Execute layout, mold development, trial production and error detection. (3) Write operation instruction and BOM draft. (4) Assist in solving model problems in production.
Software Development Department	(1) Develop special software of the Company. (2) Assist in sample debugging.
Institutional Development Department	(1) Recognition of mechanism design and parts. (2) Assist in solving model problems in production. (3) Carry out the environmental test of the Company.
Design Quality Assurance Department	(1) Quality assurance in development stage. (2) Formulate product quality plan. (3) Design verification and review of acceptance plan of relevant equipment, fixtures and molds. (4) Measurement system evaluation and verification data analysis. (5) Design and process risk assessment and review.
Manufacturing Division of System Manufacturing Business Division	Adhering to the order of the general manager, it comprehensively manages the implementation of product production, quality and environmental protection, improves efficiency, reduces costs, and completes the manufacturing order on time. It has engineering department, production department and production management department.
Engineering Department	Set up biotechnology section and factory affairs section, with the following responsibilities: (1) Formulation of product manufacturing and test procedures and operation instructions, and control of test software and product firmware. (2) Selection, manufacture, maintenance and calibration of production and test equipment and fixtures. (3) The analysis, maintenance and feedback of defective products and the contact window between the manufacturing department and the R&D Division. (4) Analysis, maintenance and problem feedback of product after-sales service. (5) Clean the inspection clamp and fixture of the equipment to ensure that there is no mixing and pollution of restricted substances of green products. (6) Maintenance, operation and outsourcing of plant, lighting, water and electricity, air conditioning, air compression and other equipment and facilities.
Production Department	(1) Cooperate with the production management to execute the manufacturing order, and manufacture, test, assemble and package the products that meet the quality according to the specifications and standards. (2) Follow the operating instructions, make good use of materials, pay attention to quality and environmental protection, reduce the defect rate and scrap quantity. (3) Strengthen training and improve personnel morale. (4) Management and maintenance of equipment and tools. (5) The use of recyclable materials and recyclable articles to make them meet the green product standard. For example: reuse of packaging materials.
Production Management	(1) Make production plan and schedule, follow up the materials of relevant units and purchase requisition of non-complete sets of materials, so as to

Department	Main responsibilities
Department	avoid production shutdown or idle materials. (2) Receipt of materials, warehousing, issuing, storage and inventory of semi-finished products and finished products, evaluation of outsourcing plants and outsourcing contracting operations. (3) Assist the subcontractor to explain the responsibilities and obligations of Mildef Crete to the green product system.
Quality Assurance Department of System Manufacturing Business Division	Directly reporting to general manager (1) Promote quality control and environmental management system, supervise quality control and environmental management activities, and coordinate and solve quality and environmental management problems. (2) Formulation of inspection specifications, and implementation of incoming material inspection and finished product inspection. (3) Calibration of quality and environmental protection instruments. (4) Analysis and feedback of quality and environmental defects, tracking of quality and environmental abnormalities and guidance for third parties. (5) Engineering sample verification and trial-run product verification. (6) If there is any doubt that the production materials in the mass production stage of the product do not meet the standards of environmental restricted substances of green products, they can take the initiative to submit them for inspection. (7) The Quality Assurance Department shall post the "ROHS PASS" sign for the materials that pass the incoming material inspection according to the "environmental restricted substances standard for green products". (8) The information and requirements of relevant laws and regulations at home and abroad reflected by the customer shall be transmitted to the Industrial Safety Department for identification.
Information Office of System Manufacturing Business Division	Directly reporting to general manager (1) Set up internal network and update and repair e-mail system. (2) Company network architecture maintenance plan. (3) Internal control audit. (4) Software legitimacy control. (5) Erection and maintenance of safety monitoring system. (6) Maintenance and software integration of DATA SYSTEMS and ERP system. (7) Web page erection and maintenance. (8) Anti virus update and maintenance.
Industrial Safety Department of System Manufacturing Business Department	That is, the Labor Safety and Health Committee, directly under the general manager (1) Formulation and supervision of labor safety and health codes of practice and safe working methods. (2) Handle relevant education and training in accordance with labor safety and health code of practice. (3) Formulate occupational disaster prevention plan and implement occupational disaster investigation, report, statistics and reporting. (4) Plan and supervise the labor safety and health management of each unit, conduct checking and inspection, and record it in the safety and health work record book. (5) Plan employee health examination and health management. (6) Provide suggestions and data for improving safety and health. (7) Set up a chairman and several other members. (8) Other duties to be performed in accordance with safety and health laws

Department	Main responsibilities
	and regulations. (9) Collect environmental protection laws and regulations of different countries and regions and environmental protection requirements of customers, interpret and transmit environmental protection information to relevant departments. (10) According to the product environmental protection laws and regulations of various countries and the environmental protection requirements of customers, formulate the environmental restricted substance standards for green products of Mildef Crete. (11) Implementation and promotion of education and training related to green product system. (12) Analyze and supervise the non-compliance of environmental restricted substances from raw materials and articles to finished products, and provide the analysis data to relevant units for processing.
Sustainable Development (ESG) Department of System Manufacturing Business Department	Reporting directly to the General Manager, this position is responsible for the following: (1) Proposed the Company's ESG-related development strategy and promotion of functional teamwork. (2) Planning, executing, tracking progress, and evaluating the effectiveness of relevant projects. (3) Research and analyze ESG policy trends and relevant regulations in order to meet ESG indicators. (4) Real-time tracking of ESG-related changes and the development of corresponding strategies and measures to ensure compliance. (5) Coordinated and led the completion of the ESG Sustainability Report.
Channel Business Department	Directly under the CEO, the head office is set up in Bade Road, Taipei. Its duties are: (1) Formulate and implement annual / quarterly business plans. (2) The establishment and planning of retail outlets in Taiwan (3) Collection, analysis and provision of market intelligence. (4) Achievement of business objectives and profit objectives. (5) Order processing and shipment arrangement. (6) Handling of customer complaints, customer returns and maintenance. (7) Exhibition planning and implementation. (8) After inquiring and negotiating with the supplier, order and urge the delivery. (9) Information matters such as the erection, maintenance and planning of internal and external networks in Taiwan. (10) Stationery, business machines, air conditioners, official vehicles, purchase and management of appliances and sundries and other general affairs matters. (11) Personnel recruitment, appointment and management, etc. (12) Others.
Various departments	(1) Identification of environmental consideration. (2) Assist in the verification of environmental protection laws and regulations. (3) Formulation and implementation of various environmental objectives. (4) Formulation and implementation of ESG sustainable development objectives.

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

(I) Directors and Supervisors:

April 14, 2024

Title	Nationality or place of registration	Name	Gender Age	Election (on board) date	Term of office	Date of initial election	Shares held at the time of election		Number of shares held at present		Shares held by spouses and minor children at present		Holding shares in the name of others		Major experience (education)	At present, the person holds concurrent positions in the Company and other companies	Other department heads, directors or supervisors who has a relationship as a spouse or second-degree relative			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Yi-Tong Shen	Male 71-80 years old	2023.06.14	3	1990.03.15	3,126,244	5.33	3,126,244	5.33	0	0	0	0	Graduated from Taipei Tech Electronic Engineering; Chairman of Macnica Galaxy Inc.	General manager of the Company and Director of Flexbasis Technology	None	None	None	
Director	Republic of China	Nankang Rubber Tire Corp., Ltd.	N/A	2023.06.14	3	1997.01.23	2,150,829	3.67	2,150,829	3.67	0	0	0	0	N/A	N/A	None	None	None	
		Representative: Jun-Ying Lin	Female 31-40 years old	2023.06.14	3	1997.01.23	0	0	0	0	0	0	0	0	Graduated from the Department of Communication of China University of Technology and the Graduate Institute of Johnson & Wales University in the United States; Director of Nankang Rubber Tire Corp., Ltd.	Director of Zhikai Development Co., Ltd., Director of Yuanhong Development Co., Ltd., Director of Nankang Rubber Tire Corp., Ltd. and Director of Nanzong Construction Developments, Co., Ltd.	None	None	None	
Director	Republic of China	Ming-Xiao Lu	Male 61-70 years old	2023.06.14	3	2002.06.21	945,563	1.61	945,563	1.61	0	0	0	0	Graduated from Mechanical & Electrical Engineering of National Taipei	Director of Motech Industries Inc.	None	None	None	

Title	Nationality or place of registration	Name	Gender Age	Election (on board) date	Term of office	Date of initial election	Shares held at the time of election		Number of shares held at present		Shares held by spouses and minor children at present		Holding shares in the name of others		Major experience (education)	At present, the person holds concurrent positions in the Company and other companies	Other department heads, directors or supervisors who has a relationship as a spouse or second-degree relative			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
															University of Technology; deputy general manager of Yung Loong Engineering CORP.					
Independent director	Republic of China	Yong-Cheng Chun	Male 71-80 years old	2023.06.14	3	2002.06.21	0	0	0	0	0	0	0	0	Master of College of Law and Business at National Chung Hsing University; passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong-Cheng Chun Law Firm	Responsible person of Yong-Cheng Chun Law Firm	None	None	None	
Independent director	Republic of China	Jun-Ming Wang	Male 71-80 years old	2023.06.14	3	2003.06.26	0	0	0	0	0	0	0	0	Graduated from the College of Business and Management, Tamkang University; passed the special examination of customs affairs; Customs Administration Ministry of Finance Taipei	Chairman and general manager of Precision Mfg. Inc. and Director of Cancer Prevention and Treatment Foundation	None	None	None	

Title	Nationality or place of registration	Name	Gender Age	Election (on board) date	Term of office	Date of initial election	Shares held at the time of election		Number of shares held at present		Shares held by spouses and minor children at present		Holding shares in the name of others		Major experience (education)	At present, the person holds concurrent positions in the Company and other companies	Other department heads, directors or supervisors who has a relationship as a spouse or second-degree relative			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
															Customs, finance manager of Easy International Marketing Corporation, chairman and general manager of Precision Mfg. Inc.					
Independent director	Republic of China	Xiao-Long Feng	Male 71-80 years old	2023.06.14	3	2004.06.28	65,132	0.11	65,132	0.11	0	0	0	0	Graduated from the Collage of Communication of Fu Jen Catholic University and graduated from the 2000 Senior Manager (SMG) class of John F. Kennedy School of Government, Harvard Kennedy School; reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and director, manager of news department and director of BCC, spokesman of BCC, director of	Business consultant of Taipei International Community Cultural Foundation, and Director of Yishitang, Keelung City, Taiwan	None	None	None	

Title	Nationality or place of registration	Name	Gender Age	Election (on board) date	Term of office	Date of initial election	Shares held at the time of election		Number of shares held at present		Shares held by spouses and minor children at present		Holding shares in the name of others		Major experience (education)	At present, the person holds concurrent positions in the Company and other companies	Other department heads, directors or supervisors who has a relationship as a spouse or second-degree relative			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
															Satellite Television Broadcasting Association, R.O.C., director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin University, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University.					
Director	Republic of China	Wen-Chun Cai	Female 61-70 years old	2023.06.14	3	2008.06.19	15,139	0.01	15,139	0.03	0	0	0	0	Graduated from Department of Accounting of Hsing Wu University		None	None	None	

◆ Major shareholders of corporate shareholders

April 25, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
Nankang Rubber Tire	Nankang Rubber Tire (18.25%), Yuanhong Development (6.40%), Yuanrui Development (6.03%), Zhikai Development (5.85%), Quanye Investment (4.04%), Jun-Ying Lin (2.27%), Guoqiang Technology Co., Ltd. (1.21%), JPMorgan Taipei Branch is entrusted with the custody of the special account for the investment of Vanguard FTSE Emerging Markets managed by Vanguard group (1.15%), Citibank (Taiwan) in custody for Norway Central Bank Investment Account (0.80%).

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

April 25, 2024

Name of legal person	Major shareholders of legal person
Nankang Rubber Tire	Hengtai Holding 55.56%, Nankang Rubber Tire 20.37%, Chiu Pu Cultural Foundation 22.96%, Chun-Ming Lin 1.11%
Yuanhong Development	Hengtai Holding 99.34%, Zhikai Development 0.35%, Chiu Pu Cultural Foundation 0.21%, Yuanrui Development 0.10%
Zhikai Development	Hengtai Holding 90.70%, Quanye Investment 6.58%, Chiu Pu Cultural Foundation 2.62%, Yuanhong Development 0.10%
Yuanrui Development	Hengtai Holding 72.27%, Chiu Pu Cultural Foundation 24.39%, Jun-Ying Lin 2.05%, Yuanhong Development 0.80%, Quanye Investment 0.49%
Quanye Investment	Hengtai Holding 99.90%, Yuanrui Development 0.10%

Directors and Supervisors

I. Disclosure of professional qualifications of directors and supervisors and independence of independent directors:

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
Chairman Yi-Tong Shen	1. Chairman of Macnica Galaxy Inc. 2. Have the necessary working experience in business, finance, accounting and company business, and have not been involved in any of the subparagraphs of Article 30 of the Company Act.	1. Not a director or supervisor of the Company or any of its affiliates. 2. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 3. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 4. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the last two years. 5. Not a spouse or a relative within the second degree of kinship with any Director. 6. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	None
Director Nankang Rubber Tire Representative: Jun-Ying Lin	1. Director of Nankang Rubber Tire 2. Have the necessary working experience in business, finance, accounting and company business, and have not been involved	1. Not an employee of the Company or its affiliated enterprises. 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held,	None

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
	in any of the subparagraphs of Article 30 of the Company Act.	including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 6. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 8. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the last two years. 9. Not a spouse or a relative within the second degree of kinship with any Director.	
Director Ming-Xiao Lu	1. Deputy general manager of Yung Loong Engineering CORP. 2. Have the necessary	1. Not an employee of the Company or its affiliated enterprises. 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a spouse, relative within the	None

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
	working experience in business, finance, accounting and company business, and have not been involved in any of the subparagraphs of Article 30 of the Company Act.	second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 4. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act. 5. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 6. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 8. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the last two years. 9. Not a spouse or a relative within the	

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		second degree of kinship with any Director. 10. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	
 Independent director Yong-Cheng Chun	1. Passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong- Cheng Chun Law Firm 2. Professional and technical personnel who have passed the examination of lawyers and magistrates, and work experience required for business, legal affairs, finance, accounting and company business. 3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act	1. Not an employee of the Company or its affiliated enterprises. 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act. 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board),	None

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 8. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the last two years. 10. Not a spouse or a relative within the second degree of kinship with any Director. 11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	
 Independent director Jun-Ming Wang	1. Passed the special examination of customs affairs; Customs Administration Ministry of Finance Taipei Customs, finance manager of Easy International Marketing Corporation, chairman and general manager of Precision Mfg. Inc. 2. Working experience in business, finance, accounting and company business.	1. Not an employee of the Company or its affiliated enterprises. 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a director, supervisor, or	None

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
	3. Mr. Jun-Ming Wang is a member of the Audit Committee and the Remuneration Committee and has accounting or financial expertise. He graduated from the College of Business and Management, Tamkang University has worked as a financial manager for many years. 4. No any circumstance under Article 30 of the Company Act.	employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act. 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 8. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the last two years. 10. Not a spouse or a relative within the second degree of kinship with any Director. 11. Where the person is not elected in the capacity of the government, a juristic person, or a representative	

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		thereof as provided in Article 27 of the Company Act.	
 Independent director Xiao-Long Feng	1. Reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and Director, manager of news department and Director of BCC, spokesman of BCC, Director of Satellite Television Broadcasting Association, R.O.C., Director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin University, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University. 2. Working experience in business, finance, accounting and company business. 3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act	1. Not an employee of the Company or its affiliated enterprises. 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act. 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 8. Not a Director (member of the	None

Condition / Name	Professional qualifications and experience	Independence	Number of Independent Directors concurrently serving in other public companies
		governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the last two years. 10. Not a spouse or a relative within the second degree of kinship with any Director. 11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	
Director Wen-Chun Cai	1. Independent Director of Farcent Enterprise Co., Ltd 2. Have the necessary working experience in business, finance, accounting and company business, and have not been involved in any of the subparagraphs of Article 30 of the Company Act.	1. Not an employee of the Company or its affiliated enterprises. 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity	1

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

Note: The reasons, rationale, necessity, and corresponding measures for the Chairman and General manager, or an equivalent position in top management, being held by the same person:

The chairman and general manager of the Company are the same person, both of whom are Mr. Yi-Tong Shen. Mr. Yi-Tong Shen is the founder of the Company and also the general manager of the Company for several years. Under his leadership, the Company has made great achievements.

Response measures-

1. Increase the number of independent directors
2. There are other functional committees - such as Remuneration Committee and Audit Committee
3. None of the members of the Board of Directors of the Company are spouses or first-degree relatives of each other. Except for Chairman Shen, other directors do not concurrently serve as employees or managers of the Company

II. Diversity and independence of the Board of Directors:

(I) Board diversity:

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

In the future, we will gradually adhere to government policies that promote gender diversity in board appointments. This includes having one-third of the board members be of a different gender and limiting the consecutive term for independent directors to a maximum of three terms.

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

Diversified core items / Name of Director	Nationality	Gender	Concurrently serving as an employee of the Company	Age			Term of office and length of service of Directors	Operational judgment/ management	Crisis management/ leadership decision-making	Industrial knowledge	International market view	Financial accounting	Law
				Below 40	61 to 70	71 to 80	More than 10 years						
Yi-Tong Shen	Republic of China	Male	✓			✓	✓	✓	✓	✓	✓	✓	
Representative of Nankang Rubber Tire: Jun-Ying Lin	Republic of China	Female		✓			✓	✓	✓	✓			
Ming-Xiao Lu	Republic of China	Male			✓		✓	✓	✓	✓	✓		
Independent director Jun-Ming Wang	Republic of China	Male				✓	✓	✓	✓	✓	✓	✓	
Independent director Xiao-Long Feng	Republic of China	Male				✓	✓	✓	✓	✓	✓		
Independent director Yong-Cheng Chun	Republic of China	Male				✓	✓	✓	✓	✓	✓		✓
Wen-Chun Cai	Republic of China	Female			✓		✓	✓	✓	✓	✓	✓	

Note:

1. It can be seen from the table above that there are 7 directors (including 3 independent directors) for the 14th term Board of Directors (was re-elected by the Shareholders' Meeting on June 14, 2023) of the Company, who have overall operational judgment, business management, crisis management, leadership decision-making, and industry experience and professional capability; among whom, chairman Yi-Tong Shen, director Ming-Xiao Lu, independent director Yong-Cheng Chun, independent director Jun-Ming Wang, independent director Xiao-Long Feng and director Wen-Chun Cai possess international market view; chairman Yi-Tong Shen, independent director Jun-Ming Wang, and director Wen-Chun Cai are skilled in financial accounting; independent director Jun-Ming Wang has significant contributions to the public welfare; and independent director Yong-Cheng Chun is specialized in legal affairs.
2. The average term of office of the directors of the Company is more than 10 years. The members of the Board of Directors are all Taiwanese, and the proportion of the composition structure:

Item	Seats	Percentage of occupied Board Director seats (%)
Independent director	3	42.86
Director with employee status	1	14.29
Female director	2	28.57
Below 40 years old	1	14.29
61-70 years old	2	28.57
71-80 years old	4	57.14

   In addition to the above, the Company also places great importance on gender equality in the composition of the Board of Directors. Moving forward, we will continue our efforts to increase the representation of female directors.
3. The diversity orientation, complementarity and implementation of directors have included and are better than the standards set out in Article 20 of the Company's code of practice on corporate governance; In the future, the diversification policies will be revised in due time according to the operation, operation type and development needs of the board of directors, including but not limited to the standards of basic conditions and values, professional knowledge and skills, so as to ensure that the members of the board of directors should generally have the knowledge, skills and literacy necessary for performing their duties.

(II) Independence of the board of directors:

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

Serial number	Item	Seats	Percentage of occupied Board Director seats (%)
1	Number of independent directors	3	42.86
2	Not an employee of the Company or its affiliated enterprises	6	85.71
3	Not a director or supervisor of the Company or any of its affiliates.	7	100.00
4	Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.	5	71.43
5	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the previous three preceding items.	6	85.71
6	Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act	5	71.43
7	Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares.	7	100.00
8	Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company.	6	85.71
9	Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company.	7	100.00
10	Not a person that provides audit or commercial, legal, financial, accounting, or other services to the company and any affiliated company for remuneration from the latest two years	7	100.00
11	Not a spouse or a relative within the second degree of kinship with any Director. (No circumstances as specified in the provisions of paragraphs 3 and 4 of article 26-3 of the Securities and Exchange Act)	7	100.00
12	Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	6	85.71

To sum up, the board of directors of the Company is in line with independence.

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

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

April 14, 2024

Title	nationality	Name	Gender	Election (on board) date	Shares held		Shares held by spouse and minor children		Holding shares in the name of others		Main experience (education) (Note 2)	Currently holding positions in other companies	Managers with spouse or second degree relationship			Remarks (Note 3)
(Note 1)					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chief Executive Officer	Republic of China	Yi-Tong Shen	Male	2000.7.21	3,126,244	5.33	0	0	0	0	Graduated from Taipei Tech Electronic Engineering; Chairman of Macnica Galaxy Inc.	Director of Flexbasis Technology	None	None	None	
General manager of Channel Business Department	Republic of China	Jia-Xing Hu	Male	2011.08.01	153,211	0.26	0	0	0	0	EMBA, Graduate School of Management, National Taiwan University of Science and Technology; Senior Organization Engineer of Conjutek Co. Ltd.	None	None	None	None	
Executive deputy general manager	Republic of China	Yong-Xiang Zhou	Male	2019.01.01	3,000	0.01	0	0	0	0	Edith Cowan University, Australia - double bachelor of computer information technology and multimedia technology; general manager of China and Asia Pacific region of Shengdi Wisdom Technology Co., Ltd.; vice president of Asia Pacific market, Franke,	Chairman of Flexbasis Technology	None	None	None	

Title	nationality	Name	Gender	Election (on board) date	Shares held		Shares held by spouse and minor children		Holding shares in the name of others		Main experience (education) (Note 2)	Currently holding positions in other companies	Managers with spouse or second degree relationship			Remarks (Note 3)
(Note 1)					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											Switzerland					
Deputy general manager of R & D department	Republic of China	Wei Liang	Male	2018.10.01	6,593	0.01	6,832	0.01	0	0	Tungnan University (associate degree) - graduated from electronic engineering; Electronic engineer of Shenxun Enterprise Co., Ltd; Customer service engineer of Jiashang Co., Ltd	Director of Flexbasis Technology	None	None	None	
AVP of Planning Department of Channel Business Department	Republic of China	Xiao-Ming Lin	Female	2009.12.01	3,414	0.01	0	0	0	0	Graduated from the National Taipei University Department of Sociology; Zhongxiao Hydropower Engineering, Sunlight Computer	None	None	None	None	
AVP of north district business of Channel Business Department	Republic of China	Shi-Zhe Lin	Male	2010.12.01	14,400	0.02	4,759	0.01	0	0	Graduated from the Department of Textiles and Clothing, Fu Jen Catholic University; Financial Services Department of Collins, Daya Department Store	None	None	None	None	
AVP of south district business of Channel Business Department	Republic of China	Xin-Xiong Huang	Male	2010.12.01	0	0	0	0	0	0	Graduated from Department of Industrial and Information Management Institute of Information Management; R&D engineer and business specialist of Zhaotong	None	None	None	None	

Title	nationality	Name	Gender	Election (on board) date	Shares held		Shares held by spouse and minor children		Holding shares in the name of others		Main experience (education) (Note 2)	Currently holding positions in other companies	Managers with spouse or second degree relationship			Remarks (Note 3)
(Note 1)					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											Enterprise and Taiwan Sakura Corporation					
AVP **of Business Division**	Republic of China	Sheng-Xian Wang	Male	2022.05.01	0	0	0	0	0	0	Graduated from Mechanical Department of Tungnan University; Solomon (Longmen) Co., Ltd., Ouliya Co., Ltd.	None	None	None	None	

Note 1: The reasons, rationale, necessity, and corresponding measures for the Chairman and General manager, or an equivalent position in top management, being held by the same person:

The chairman and general manager of the Company are the same person, both of whom are Mr. Yi-Tong Shen. Mr. Yi-Tong Shen is the founder of the Company and also the general manager of the Company for several years. Under his leadership, the Company has made great achievements.

Response measures-

1. Increase the number of independent directors
2. There are other functional committees - such as Remuneration Committee and Audit Committee
3. None of the members of the board of directors of the Company are spouses or first-degree relatives of each other. Except for Chairman Shen, other directors do not concurrently serve as employees or managers of the Company

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

(1) Remuneration of Directors (including Independent Directors)

Unit: NT$1,000

Title	Name	Remuneration of Directors								Proportion of the total amount of items A, B, C and D to net income after tax (Note 6)		Part time employees receive relevant remuneration								Proportion of the total amount of items A, B, C, D, E, F and G to the net profit after tax		Any remuneration received from reinvestment enterprises other than subsidiaries
		Remuneration (A) (Note 1)		Retirement pension (B)		Director's remuneration (C) (Note 2)		Business execution cost (D) (Note 3)				Salary, bonus and special expenses (E) (Note 4)		Retirement pension (F)		Employee remuneration (G) (Note 5)						
																The Company		All companies in the financial report				
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies in the financial report	
Chairman	Yi-Tong Shen	0	0	0	0	6,474	6,474	100	100	6,574 1.43	6,574 1.43	2,798	2,798	0	0	1,175	0	1,175	0	10,547 2.29	10,547 2.29	None
Director	Nankang Rubber Tire Representative: Jun-Ying Lin																					
Director	Ming-Xiao Lu																					
Director	Wen-Chun Cai																					
Independent director	Yong-Cheng Chun	0	0	0	0	6,160	6,160	209	108	6,268 1.36	6,268 1.36	0	0	0	0	0	0	0	0	6,268 1.36	6,268 1.36	None
Independent director	Jun-Ming Wang																					
Independent director	Xiao-Long Feng																					

1. Please describe the policy, system, standard and structure of remuneration payment for independent directors, and describe the relationship with the amount of remuneration according to the responsibilities, risks, investment time and other factors:

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

(2) The Directors' remuneration allocated in accordance with the articles of association for the Company's annual profits is handled in accordance with the articles of association and other provisions of the Company. The articles of association stipulates that if the Company makes profits, it may allocate no more than 3% of the Directors' remuneration.

The amount allocated shall be reviewed by the Remuneration Committee, approved by the resolution of the Board of Directors and submitted to the shareholders' meeting.

(3) The Directors' remuneration payment policy is to strengthen corporate governance and improve the salary system of Directors and managers of the Company, and the "measures for the management of Directors' and managers' remuneration" is formulated for approval.

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

(4) The amount of remuneration distribution of Directors and employees in the table was passed by the resolution of the Remuneration Committee on February 23, 2024, and the 6th meeting of the 14th Board of Directors on March 13, 2024.

The distribution amount is proposed based on the distribution ratio from the previous year.

2. Except as disclosed in the above table, the remuneration received by the Directors of the Company for providing services (such as serving as consultants other than employees) for all companies in the financial report in the most recent year: none

Remuneration level

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

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

Note 2: The Board of Directors of the Company passed a resolution on March 13, 2024, following the deliberation of the Remuneration Committee on February 23, 2024, to allocate a directors' remuneration of NT$12,634 thousand in 2023. A report will be submitted to the Shareholders' Meeting in 2024. The distribution amount is determined based on the distribution ratio of the previous year.

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

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

Note 5: The Board of Directors of the Company passed a resolution on March 13, 2024, following the deliberation of the Remuneration Committee on February 23, 2024, to allocate a employees' remuneration of NT$61,896 thousand in 2023. A report will be submitted to the Shareholders' Meeting in 2024. The distribution amount is determined based on the distribution ratio of the previous year.

Note 6: It is calculated based on the parent only net profit after tax and the net profit attributable to the parent company in the consolidated financial statements of 2023, which is NT$460,828 thousand.

(2) Remuneration of supervisors:

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

(3) Remuneration of general manager and deputy general manager

Unit: NT$1000

Title	Name	Remuneration (A)		Retirement pension (B) (Note 1)		Bonuses and special expenses, etc. (C)		Employee remuneration amount (D) (Note 2)				Proportion of the total amount of items A, B, C and D to net income after tax (%) (Note 3)		Any remuneration received from reinvestment enterprises other than subsidiaries
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chief Executive Officer	Yi-Tong Shen	9,340	9,460	297	297	781	781	10,330	0	10,330	0	20,748 4.50	20,868 4.53	0
General manager of Channel Business Department	Jia-Xing Hu													
Executive vice president	Yong-Xiang Zhou													
Deputy general manager of R & D department	Wei Liang													

Remuneration level

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

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

Note 2: The Company 2023 remuneration distribution of employees was passed by the resolution of the Remuneration Committee on February 23, 2024, and Board of Directors on March 13, 2024.

The distribution amount of NT$61,896 thousand was reported in 2024 Shareholders' Meeting. The proposed distribution amount is determined based on the distribution ratio of the previous year.

Note 3: It is calculated based on the parent only net profit after tax and the net profit attributable to the parent company in the consolidated financial statements of 2023, which is NT$460,828 thousand.

Name of the manager who receives employee remuneration and distribution status

2023; Unit: NT$1,000

	Title	Name	Stock amount	Cash amount (Note 1)	Total	Proportion of total amount to net profit after tax (%) (Note 2)
Manager	Chief Executive Officer	Yi-Tong Shen	0	14,569	14,569	3.16
	General manager of Channel Business Department	Jia-Xing Hu				
	Executive deputy general manager / Chief Information Security Officer	Yong-Xiang Zhou				
	Deputy general manager of R & D department	Wei Liang				
	AVP of Planning Department of Channel Business Department	Xiao-Ming Lin				
	AVP of north district business of Channel Business Department	Shi-Zhe Lin				
	AVP of south district business of Channel Business Department	Xin-Xiong Huang				
	AVP of Business Division	Sheng-Xian Wang				
	Financial Manager / Corporate Governance Officer	Ya-Ping Liu				

Note 1: The 6th meeting of the 14th Board of Directors of the Company passed a resolution on March 13, 2024, following the deliberation of the Remuneration Committee on February 23, 2024, to allocate a employees' remuneration of NT$61,896 thousand in 2023. A report will be submitted to the Shareholders' Meeting in 2024. The distribution amount is determined based on the distribution ratio of the previous year.

Note 2: It is calculated based on the parent only net profit after tax and the net profit attributable to the parent company in the consolidated financial statements of 2023, which is NT$460,828 thousand.

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

1. Analysis of the proportion of the total amount paid by the company and all companies in the consolidated statements to the Company's directors, supervisors,

general manager and deputy general manager to the net profit after tax of parent only financial reports in the last two years

Year / Identity	Proportion of total remuneration to net profit after tax (Note 1) of parent only or individual financial reports (%)			
	2023 (Note 2)		2022	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Director	3.65	3.65	4.33	4.33
Supervisor	0	0	0	0
General manager and deputy general manager	4.50	4.53	6.71	6.71

Note 1: The net profit after tax of parent only financial report in 2023 and 2022 is NT$460,828 thousand and NT$228,270 thousand respectively.

Note 2: On March 13, 2024, the Board of Directors of the Company decided to allocate NT$61,896 thousand for employees and NT$12,634 thousand for directors in 2023, and submit the report to the 2024 Shareholders' Meeting.

Note 3: The distribution amount in 2023 is proposed based on the distribution ratio from the previous year.

Note 4: The proportion of each department in 2023 is lower compared to 2022. This is mainly because the net profit after tax in 2023 has significantly increased, leading to a decrease in the overall proportion.

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

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

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

◎ The Directors' remuneration allocated in accordance with the articles of association for the Company's annual profits is handled in accordance with the articles of association and other provisions of the Company. The articles of association clearly stipulate that if the company makes a profit, it may set aside no more than 3% for the director's remuneration, so that the director's remuneration is proportional to the company's operating performance.

The compliance with the rationality of the directors' remuneration performance policy mainly considers the performance evaluation methods and procedures of the board of directors, the overall operating performance of the company, the future operating needs and development of the industry, and gives reasonable remuneration with reference to the individual's contribution to the company's operation, which has been deliberated by the Remuneration Committee and

discussed and approved by the board of directors.

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

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

◎ The appointment, dismissal and remuneration of the general manager and deputy general manager of the Company shall be approved by the Board of Directors in accordance with the provisions of the Company. The HR department of the Company shall, in accordance with the relevant provisions of the Company's personnel performance evaluation and the "measures for the management of directors' and managers' remuneration", determine the standard of remuneration according to the individual performance and contribution to the overall operation of the company, taking into account the principle of market peer level, and submit a proposal to the board of directors after the resolution of the Remuneration Committee, which shall be adopted by the board of directors.

◎ The Company's remuneration policy is based on the individual's ability, contribution to the company, performance and the correlation with business performance. The overall remuneration portfolio mainly includes basic salary, bonus and employee compensation. The standard of remuneration payment is that the basic salary is reviewed and approved according to the market situation of the position held by the employee; bonus and employee compensation are connected with the achievement of employees, department objectives or the Company's business performance.

◎ Relevance of future risks: The Company's remuneration will be evaluated and adjusted in consideration of future changes in environment and operating performance, and any Directors and employees who are involved in illegal activities that result in losses to the Company may be subject to disciplinary action as required by law.

III. Operation of corporate governance:

(I) Operation of the board of directors

Information on the operation of the Board of Directors

In the most recent year, the Board of Directors held a total of 7 meetings [A]. The attendance of Directors is as follows:

Title	Name	Actual number of attendance (present) B	Number of delegated attendance	Actual attendance (present) (%) [B/A]	Remark
Chairman	Yi-Tong Shen	7	0	100	Re-elected on June 14, 2023.
Director	Representative of Nankang Rubber Tire: Jun-Ying Lin	5	2	71	Re-elected on June 14, 2023.
Director	Ming-Xiao Lu	7	0	100	Re-elected on June 14, 2023.
Independent director	Jun-Ming Wang	7	0	100	Re-elected on June 14, 2023.
Independent director	Xiao-Long Feng	7	0	100	Re-elected on June 14, 2023.
Independent director	Yong-Cheng Chun	7	0	100	Re-elected on June 14, 2023.
Director	Wen-Chun Cai	7	0	100	Re-elected on June 14, 2023.

Other matters to be recorded:

I. In case of any of the following circumstances in the operation of the board of directors, the date of the board of directors, the term, the content of the proposal, the opinions of all independent directors and the company's handling of the opinions of independent directors shall be stated:

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

Date of board meeting	Content of proposal	Opinions of all independent directors and subsequent treatment
The 17th session of the 13th term 2023.03.23	1. 2022 "effectiveness assessment of internal control system" and "statement of internal control system" 2. Subsidiary Planning for "Greenhouse Gas Inventory and Verification" 3. 2022 directors' and employees' remuneration distribution plan 4. 2022 annual business report and financial	Independent Directors did not object to or reserve opinions on the following proposals.

Date of board meeting	Content of proposal	Opinions of all independent directors and subsequent treatment
	statement audit report 5. 2022 earning distribution 6. 2023 annual budget and operation plan 7. The Australian subsidiary prohibits providing funds to others, endorsements or guarantees, and derivatives transactions. 8. Amendment to the "Articles of Incorporation" 9. Amendment to the "Rules of Procedure of the Shareholders' Meeting" 10. Proposal for the Re-election of Directors 11. Nomination of Candidates for Directors (including Independent Directors) in 2023 12. Proposal on matters related to the convening of the 2023 Shareholders' Meeting 13. Performance evaluation of directors and managers in 2022 14. 2022 directors' remuneration distribution plan 15. Remuneration distribution plan for managers in 2022 16. 2023 Salary Adjustment Plan 17. Manager's salary adjustment evaluation in 2023	
The 18th session of the 13th term 2023.05.03	1. First Quarter 2023 Financial Statements Report 2. Report on the achievement of the budget for the first quarter of 2023 3. Proposal for Establishment the Chief Information Security Officer 4. Proposal for the Establishment of a Corporate Governance Supervisor	Independent Directors did not object to or reserve opinions on the following proposals.
The 1st session of the 14th term 2023.06.14	1. Appointment of Chairman 2. Appointment of Members to the Fifth Remuneration Committee	Independent Directors did not object to or reserve opinions on the following proposals.
The 2nd session of the 14th term 2023.06.28.	Setting the "General Principles of Pre-Approval Non-assurance Service Policy"	Independent Directors did not object to or reserve opinions on the proposals on the left.
The 3rd session of the 14th term 2023.08.02	1. Second Quarter 2023 Financial Statements Report 2. Report on the achievement of the budget for the second quarter of 2023	Independent Directors did not object to or reserve opinions on the following proposals.

Date of board meeting	Content of proposal	Opinions of all independent directors and subsequent treatment
	3. Amendment to the Internal Control Content for "Production Cycle" 4. Amendment to the Internal Control Content for "R&D Cycle"	
The 4th session of the 14th term 2023.11.01	1. Third Quarter 2023 Financial Statements Report 2. Report on the achievement of the budget for the third quarter of 2023 3. Define the Proposal for "Cyber Security Management Measures"	Independent Directors did not object to or reserve opinions on the following proposals.
The 5th session of the 14th term 2023.12.20	1. Approval of annual audit plan in 2024 2. The evaluation results of the independence of the CPAs for 2024 3. Proposal for Standards and Structure of Board of Directors and Manager Remuneration Policy System 4. Policy of Performance Evaluation of Directors and Managers 5. Evaluation of Director Remuneration and Business Execution Expenses 6. Manager Salary Project and Remuneration Evaluation 7. Manager's Year-end Bonus and Festival Gift Distribution 8. Review of directors' and managers' remuneration for 2023	Except for the sixth case not passed by the Audit Committee, the Independent Directors have not expressed any objection or reservation for the remaining motions

(II) Except for the matters mentioned above, other matters resolved by the board of directors with objections or reservations of independent directors and with records or written statements: none.

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

Date of meeting	Name of Director	Content of proposal	Reasons for recusal	Participation in voting
The 17th session of the 13th term 2023.03.23	Yi-Tong Shen	Manager's salary adjustment evaluation in 2023	Concurrently acting as general manager	Recusal from voting on the motion

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

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

(II) Evaluation cycle: the performance evaluation of the internal Board of Directors shall be carried out at least once a year.

(III) Evaluation period: from January 1, 2023, to December 31, 2023.

(IV) Evaluation scope: including the performance evaluation of the overall Board of Directors, individual board members and functional committees.

(V) Evaluation method: self-evaluation, including internal self-evaluation of the Board of Directors and functional committees and self-evaluation of board members.

(VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point

(VII) Evaluation results:

1. Performance evaluation results of the board of directors: excellent

   The performance evaluation and measurement items of the Board of Directors of the Company cover five aspects, with a total of 45 questions. The score results of each aspect are shown in the table below, with an average score of 4.61 points (a full score of 5 points).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the Company	12	4.52	
B. Improvement of the decision-making quality of the board of directors	12	4.64	
C. Composition and structure of the board of directors	7	4.67	
D. Board of Directors Appointments and Continuous Education	7	4.55	
E. Internal controls	7	4.69	
Total / average	45	4.61	Excellent

2. Performance evaluation results of the Directors: excellent

   The Company's Directors (including Independent Directors) members, a total of 7 seats, measured six aspects of the project cover, the total number of questions is 23 questions, and the average score for each aspect is 4.66 (out of 5).

Measurement items	Number of questions	Average score	Evaluation
A. Mastery of company objectives and tasks	3	4.57	
B. Cognition of directors' responsibilities	3	4.71	
C. Participation in the operation of the company	8	4.71	
D. Internal relationship management and communication	3	4.62	
E. Professional and continuing education of directors	3	4.52	
F. Internal controls	3	4.71	
Total / average	23	4.66	Excellent

(VIII) Conclusion:

Based on the evaluation results, the overall operation of the Company's Board of Directors is excellent, and the committees have fulfilled their duties. We will continue to enhance the functions of the Board of Directors to improve corporate governance effectiveness.

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

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

(II) The discussion unit shall consult relevant units about one month before the meeting of the Board of Directors.

(III) The board of directors of the company continues to strengthen corporate governance and is committed to the improvement of corporate governance.

(IV) The Audit Committee and the Remuneration Committee established under the Board of Directors of the Company assist the Board of Directors in performing their supervisory duties respectively.

(V) Formulated the performance evaluation measures of the board of directors as the goal for the operation of the board of directors and functional committees.

(VI) The Company has established a Remuneration Committee since 2011 to formulate and regularly review the performance evaluation of directors and managers, so as to strengthen the functions of the Board of Directors.

(VII) According to the provisions of laws and regulations, we regularly or irregularly announce the company's major financial and business information.

(VIII) Since the chairman and the general manager of the Company are the same person, in order to strengthen the functions of the Board of Directors, the 9th session of the 13th term Board of Directors on November 3, 2021 adopted that for the audit report, one Director was added for signature

(IX) On December 21, 2022, the 16th session of the 13th term Board of Directors adopted the “Procedures for the Management of Prevention of Insider Trading”.

(X) The head of corporate governance was set up on the 18th session of the 13th term Board of Directors on May 3, 2023.

(II) Operation of the Audit Committee:

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

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

1. Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of internal control system.
3. In accordance with Article 36-1 of the Securities and Exchange Act, the procedures for major financial operations such as acquisition or disposal of assets, trading of derivatives, loan of funds to others, endorsement or guarantee for others shall be formulated or amended.
4. Matters involving the interests of directors themselves.
5. Significant asset or derivative transactions.
6. Major capital loans, endorsements or guarantees.
7. Offering, issuing or private placement of securities with equity nature.
8. Appointment, dismissal or remuneration of the CPAs.
9. Appointment and removal of the head of finance, accounting or internal audit.
10. Annual financial report and semi-annual financial report.
11. Other major matters prescribed by the Company or the competent authority.

By the end of April 2024, the Audit Committee of the Company is composed of all three Independent Directors.

◆ This committee is unpaid.

Operation of the Audit Committee

The Audit Committee held 7 meetings in the most recent year [A], and the attendance of independent directors is as follows:

Title	Name	Actual attendance B	Number of delegated attendance	Actual attendance (%) [B/A] (Note)	Remark
Independent director	Jun-Ming Wang	7	0	100	Chairperson / Re-elected on June 14, 2023.
Independent director	Yong-Cheng Chun	7	0	100	Committee member / Re-elected on June 14, 2023.
Independent director	Xiao-Long Feng	7	0	100	Committee member / Re-elected on June 14, 2023.

Other matters to be recorded:

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

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

Date of the Audit Committee	**Content of proposal**	Resolution results of the Audit Committee and follow-up treatment
The 16th session of the 7th term 2023.03.23	1. Internal control audit report 2. 2022 "effectiveness assessment of internal control system" and "statement of internal control system" 3. 2022 annual business report and financial statement audit report 4. 2022 earning distribution 5. Amendment to the "Articles of Incorporation" 6. Amendment to the "Rules of Procedure of the Shareholders' Meeting"	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The 17th session of the 7th term 2023.05.03	1. Internal control audit report 2. First Quarter 2023 Financial Statements Report 3. Report on the achievement of the budget for the first quarter of 2023	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.

Date of the Audit Committee	**Content of proposal**	Resolution results of the Audit Committee and follow-up treatment
The 1st session of the 8th term 2023.06.14	Proposal for Election for the Chair of the Committee	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members. Director Jun-Ming Wang is re-elected.
The 2nd session of the 8th term 2023.06.28	Setting the "General Principles of Pre-Approval Non-assurance Service Policy"	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The 3rd session of the 8th term 2023.08.02	1. Internal control audit report 2. Second Quarter 2023 Financial Statements Report 3. Report on the achievement of the budget for the second quarter of 2023 4. Amendment to the Internal Control Content for "Production Cycle" 5. Amendment to the Internal Control Content for "R&D Cycle"	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The 4th session of the 8th term 2023.11.01	1. Proposal for "Internal control audit report" 2. Third Quarter 2023 Financial Statements Report 3. Report on the achievement of the budget for the third quarter of 2023 4. Define the Proposal for "Cyber Security Management Measures"	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The 5th session of the 8th term 2023.12.20	1. Internal control audit report 2. Approval of annual audit plan in 2024 3. The evaluation results of the independence of the CPAs for 2024	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.

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

II. The implementation of the recusal of interest related proposals by independent directors shall state the name of the independent director, the content of the proposal, the reasons for the recusal of interest and the voting situation: none.

III. Communication between independent directors and internal audit supervisors and CPAs (such as matters, methods and results of communication on the company's financial and business conditions):

(I) Communication between the Audit Committee and the audit supervisor in 2023:

Communication method and date	Communication method	Communication results
The 16th session of the seventh term Audit Committee 2023.03.23	Audit business performance report from December 2022 to February 2023	Members attended a agreed, no other viev
The 17th session of the 7th term Audit Committee 2023.05.03	Audit business performance report in March 2023	Members attended and agreed, no other views
The 3rd session of the 8th term Audit Committee 2023.08.02	Performance report of audit business from April to June of 2023	Members attended and agreed, no other views
The 4th session of the 8th term Audit Committee 2023.11.01	Audit business performance report from July to September 2023	Members attended and agreed, no other views
The 5th session of the 8th term Audit Committee 2023.12.20	Audit business performance report from October to November 2023	Members attended and agreed, no other views

The auditor shall communicate with the independent directors through the audit report every month. Through the meeting of the Audit Committee, the implementation status of the audit business should be reported at least once a quarter. In case of special conditions, the members of the Audit Committee should be reported immediately. As of the printing date of the annual report, there was no such special situation. The Audit Committee of the Company has good communication with the internal audit supervisor. Since the chairman of the Board of Directors and the general manager of the Company are the same person, the Company passed at the eighth session of the seventh term Audit Committee to add one more director to sign on the audit business report.

(II) Communication between the Audit Committee and CPAs in 2023:

Date	Communication method	Communication object	Communication matters	Communication results
2023.03.23	Before the 16th Audit Committee meeting of the	Wei-Ming Shi CPAs	1. Audit results of consolidated and parent only financial reports in 2022	Agree, no other comments

Date	Communication method	Communication object	Communication matters	Communication results
	7th term		2. Important Regulations and Guidelines Update (1) Code of practice on corporate governance of TWSE/TPEx-listed companies (2) Code of practice on sustainable development of TWSE/TPEx-listed companies	
2023.11.01	Before the 4th Audit Committee Meeting of the 8th term	Ching-Wen Kao CPAs	1. Review results of consolidated financial report for the third quarter of 2023 2. Annual audit plan 3. Update of important securities regulatory laws and tax laws (1) Amendment to the Financial Statement Review Standards for TWSE/TPEx-listed companies under Article 43-1 of the Securities and Exchange Act (2) Draft Amendment to the Regulations for Declaring the Acquisition of Shares under Article 43-1, Paragraph 1 of the Securities and Exchange Act (3) Amendments to Articles 14-4, 14-5, 178, and 181-2 of the Securities and Exchange Act (4) Guidelines for the Establishment and Exercise of Powers by the Board of Directors of TWSE/TPEx-listed companies (5) Draft Amendments to the Guidelines for Recording Matters in	Agree, no other comments

Date	Communication method	Communication object	Communication matters	Communication results
			the Annual Reports of Publicly Issued Companies and the Guidelines for Recording Matters in the Prospectus for the Public Offering of Securities by Companies 4. Introduction to International Sustainability Disclosure Standards	

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

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

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

(II) Evaluation cycle: the performance evaluation of the internal Board of Directors shall be carried out at least once a year.

(III) Evaluation period: from January 1, 2023, to December 31, 2023.

(IV) Evaluation scope: including the performance evaluation of the overall Board of Directors, individual board members and functional committees.

(V) Evaluation method: self-evaluation, including internal self-evaluation of the Board of Directors and functional committees and self-evaluation of board members.

(VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point

(VII) Performance evaluation results of the Audit Committee: excellent

According to the performance evaluation of the Audit Committee, the measurement results cover five aspects, the total number of questions is 21, and the average score of each dimension is 4.66 (full score is 5).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the Company	4	4.67	

Measurement items	Number of questions	Average score	Evaluation
B. Awareness of responsibilities of the Audit Committee	5	4.67	
C. Provide functional committee decision-making quality	7	4.62	
D. Composition and member selection of the Audit Committee	2	4.67	
E. Internal controls	3	4.67	
Total / average	21	4.66	Excellent

(VIII) Conclusion:

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

(III) The operation of corporate governance and the differences with the code of practice for corporate governance of TWSE/TPEx-listed companies and the reasons

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

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
I. Does the company formulate and disclose the code of corporate governance practices in accordance with the code of corporate governance practices for TWSE/TPEx-listed companies?	V		The Company has formulated a code of practice on corporate governance and disclosed on the company's website and MOPS.	No significant difference
II. Ownership structure and shareholders' equity of the company (I) Whether the Company has established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation, and implement them in accordance with the procedures?	V		(I) The Company's internal operating procedures for handling shareholders' suggestions, doubts, disputes and litigation matters: collect relevant issues raised by shareholders through the contact telephone and e-mail of the spokesperson and acting	No significant difference

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	Summary description	
				spokesperson. If it is shareholders' suggestions and doubts, the spokesperson and acting spokesperson shall handle and respond to them. In case of disputes and litigation matters, the legal affairs unit shall handle and respond. However, the relationship between the Company and its shareholders is harmonious, and there has been no dispute or litigation.	
(II)	Does the Company have a list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders?	∨		(II) The Company has stock affairs handling personnel and the assistance of the Stock Affairs Agency Department of Capital Securities to regularly disclose the pledge, increase or decrease of the Company's shares, or other important matters that may cause changes in shares held by shareholders and Directors holding more than 10%, so as to master the major shareholders and ultimate controller of major shareholders. The Company discloses the list of major shareholders in its quarterly financial report.	
(III)	Does the Company establish and implement risk control and firewall mechanisms with related enterprises?	∨		(III) The Company has formulated the "operating procedures for transactions between group enterprises, specific companies and related parties" and the "measures for the operation and management of subsidiaries", which clearly regulate the transactions with related enterprises, so as to establish a complete firewall and achieve a risk control	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			mechanism.	
(IV) Does the company have internal regulations to prohibit insiders from trading securities by using unpublished information on the market?	∨		(IV) 1. The Company has established "internal major information processing procedures" and "operation procedures for the prevention of insider trading management" as major information processing procedures, which prohibit insiders from using undisclosed information on the market to buy and sell securities. In addition, it is expressly prohibited for the company's directors, managers, employees, appointees or persons with substantial control ability to obtain any improper interests in the "operation procedures and conduct guidelines for ethical corporate management". 2. At least once a year, the Company conducts education and advocacy of "internal major information processing procedures" and relevant laws and regulations for current Directors, supervisors, managers and relevant employees, arranges education and advocacy for new Directors and managers within 3 months after taking office, and educates and advocates for new employees during pre-service training. 3. In this year, the Finance	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			Department prepared an advocacy briefing for 0.5 hours on December 15, 2023 to carry out relevant education and advocacy for the current Directors, managers and relevant employees. The course content includes the clear time point, disclosure method, release time and terms of the current major information to strengthen the confidentiality awareness of internal insiders. 4. On October 31, 2023, 2 hours by the audit office to promote the relevant norms of integrity management, and reported on December 20, 2023 the 5th meeting of the 14th Board of Directors, the Company did not violate the integrity of operation report.	
III. Composition and responsibilities of the board of directors (I) Does the board of directors formulate diversification policies, specific management objectives and implement them?	∨		(I) It is formulated in the "code of practice on corporate governance" and the "measures for the election of Directors" and disclosed on the Company's website. The contents are as follows: The members of the board of directors shall consider diversification and formulate appropriate diversification policies based on their own operation, business type and development needs, which	No significant difference

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			should include but not limited to the following two standards: 1. Basic conditions and values: gender, age, and nationality, etc. 2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience. Members of the board of directors shall generally have the knowledge, skills and literacy necessary for the performance of their duties. In order to achieve the ideal goal of corporate governance, the overall capabilities of the board of directors are as follows: 1. Operational judgment. 2. Accounting and financial analysis ability. 3. Operation and management ability. 4. Crisis management ability. 5. Industrial knowledge. 6. International market view. 7. Leadership. 8. Decision making ability. The board of directors of the Company has a total of seven directors. The overall ability of the board of directors meets the needs of the Company's future development and implements the diversification policy of the Company's board of directors. For the implementation of the diversification policy of the	

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	Summary description	
				Company's Board of Directors, please refer to pages 34-36 of this annual report.	
(II)	In addition to setting up salary and Remuneration Committee and Audit Committee according to law, does the company voluntarily set up other functional committees?	∨		(II) In addition to setting up Remuneration Committee and Audit Committee according to law, the Company will add other functional committees according to actual needs in the future.	
(III)	Whether the Company has formulated the performance evaluation measures and evaluation methods of the Board of Directors, conducted performance evaluation every year and regularly, and submitted the results of performance evaluation to the Board of Directors, and used it as a reference for the remuneration of individual Directors and nomination for renewal?	∨		(III) On August 5, 2020, the board of directors of the Company adopted the "measures for the performance evaluation of the board of directors". The evaluation items include the following five aspects: the degree of participation in the operation of the company, improving the decision-making quality of the board of directors, the composition and structure of the board of directors, the selection and continuous learning of directors, and internal control. Before the end of the next year, a questionnaire shall be used to evaluate the operation of the Remuneration Committee and the Audit Committee of the board of directors and the self-assessment of directors. The operation of the board of directors, the Remuneration Committee and the Audit Committee shall be evaluated by the responsible secretarial units, and the results, together with the directors' self-assessment, shall be used as the reference basis for nominating directors and	

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	Summary description	
				determining their remuneration. The evaluation of the operation of the Board of Directors, the Remuneration Committee and the Audit Committee in 2023 was carried out in December 2023. The overall operation result was excellent through the evaluation of various functional committees, and the report of the Board of Directors was made on March 13, 2024. For the evaluation results, please refer to the self-evaluation results of the Board of Directors and Directors on pages 53-54, the self-evaluation results of the Audit Committee on page 60 and the self-evaluation results of the Remuneration Committee on page 84 of this annual report.	
(IV)	Does the company regularly evaluate the independence of CPAs?	∨		(IV) The CPAs of the Company maintain a rigorous and impartial attitude and detached and independent spirit when auditing / reviewing the Company's financial statements. The Finance Department evaluates the independence and competence of CPAs every year since 2020, and submits them to the Board of Directors for resolution. The accounting independence and suitability assessment results of 2024, were reported by the 5th meeting of the 14th Board of Directors on December 20, 2023. For the results, please refer to page 78 of this annual report.	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
IV. Whether a TWSE/TPEx-listed company has set up a full-time (part-time) corporate governance unit or personnel to be responsible for corporate governance related affairs (including but not limited to providing data required by Directors and supervisors to perform business, handling matters related to meetings of the Board of Directors and shareholders in accordance with the law, handling company registration and change registration, making minutes of meetings of the Board of Directors and shareholders, etc.)?	∨		On May 3, 2023, the 18th session of the 13th Board of Directors passed the setting up of the head of corporate governance, appointed by Ya-Ping Liu, Finance Manager. The Finance Department of the Company is responsible for corporate governance related affairs concurrently. The main responsibilities are to handle the matters related to the meetings of the Board of Directors and the shareholders' meeting according to law, prepare the minutes of the Board of Directors and the shareholders' meeting, assist the Directors in taking office and continuing study, provide the data required by the Directors to perform their business, and assist the Directors in complying with the laws and regulations. The business performance in 2023 is as follows: 1. It is the main contact window between Directors and the Company. 2. Assist the directors in performing their duties, provide the company information required by the directors at the meeting, and maintain smooth communication between the directors and the business executives. 3. Provide relevant training course information for Directors and assist in arranging Directors' further study. 4. Assist in arranging the communication between the audit members, the CPAs and the audit supervisor. 5. Draft the agenda of the Board of	No significant difference

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	Summary description	
				Directors and notify the Directors, convene the meeting and provide meeting data. If the topic needs recusal for interest, a prior reminder should be given, and the minutes of the Board of Directors meeting should be completed within 20 days after the meeting. 6. Assist in handling the affairs of the shareholders' meeting.	
V.	Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder zones on the company's website, and properly respond to important corporate social responsibility issues concerned by stakeholders?	∨		Maintain smooth communication channels with interested parties (including correspondent banks, other creditors, employees, customers, suppliers, etc.) and grasp information at any time to safeguard the legitimate and reasonable rights and interests of both parties; a special area for stakeholders and a contact window are set up on the Company's website to properly respond to and provide important issues of concern to stakeholders. Various important issues of concern. ∗ Investor relations contact window Spokesman: Yong-Xiang Zhou, Executive deputy general manager (02)2662-6074 #501 Acting Spokesman: Financial Manager Ya-Ping Liu #301 ∗ Customer service window: Complaint Window: North District - Shi-Zhe Lin (02)2322-1769 ; Central South District - Xin-Xiong Huang (07) 2358069 For specific instructions, please refer to the description of stakeholders on pages 72-75 of this annual report.	No significant difference
VI.	Does the Company appoint a professional stock affairs agency to handle the	∨		The Company has engaged the services of Capital Securities Corp., a professional stock transfer agency,	No significant difference

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	Summary description	
	affairs of the shareholders' meeting?			to manage shareholder meeting affairs.	
VII.	Information disclosure				No significant difference
(I)	Does the Company set up a website to disclose financial business and corporate governance information?	V		(I) The Company's financial, business and corporate governance information has been disclosed in detail in the "investor relations" section of the Company's website, and a special person is responsible for maintaining and updating the data.	
(II)	Does the Company adopt other ways of information disclosure (such as setting up an English website, appointing a special person to be responsible for the collection and disclosure of the Company's information, implementing the spokesperson system, placing the Company's website in the process of investor conference presentation, etc.)?	V		(II) The Company has set up websites in both Chinese and English, and has a spokesman (Executive deputy general manager Yong-Xiang Zhou) and an acting spokesman (manager Ya-Ping Liu) to uniformly speak the relevant information of the Company to the public. A dedicated unit is also responsible for the collection, disclosure and update of information on shareholders, laws, investment and market. No Investor Conference was held in 2023.	
(III)	Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial reports of the first, second and third quarters and the operation of each month before the specified time limit?	V		(III) 1. Although the Company did not announce the annual financial report within two months after the end of the fiscal year, in addition to the company also announced and reported the annual financial report, each quarter financial reports and the operation of each month in advance according to the specified time limit. 2. Please refer to the MOPS	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			(website https://mops.twse.com.tw) for the above relevant information and the company's website (www.crete.com.tw)	

VIII. Whether the Company has any other important information to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, Director and supervisors training, risk management policy and risk measurement criteria); (Implementation of the account policy, the Company purchasing liability insurance for Directors and supervisors, etc.)?

(I) Employee rights and interests:

1. The remuneration of the Company's employees is paid in two forms: cash remuneration and employee remuneration. Cash remuneration includes monthly salary and annual bonus; in addition, according to Article 20 of the articles of association, if there is profit in the year, after making up the losses over the years, the Company will allocate 5% to 10% as the remuneration of employees, give back to employees in the form of cash and / or shares, reward their contributions, and encourage employees to continue their efforts to directly integrate the interests of employees with the interests of shareholders, so as to create a win-win situation for the Company, shareholders and employees.
   The amount and distribution method of employee remuneration shall be determined by the Remuneration Committee and the Board of Directors and reported at the annual shareholders' meeting. The amount assigned to each employee depends on his / her position, contribution and performance.
2. Hold regular labor-management meetings.
3. There is a sound retirement system and a labor retirement reserve supervision committee.
4. The working rules of employees have been formulated in accordance with the Labor Standards Act and other relevant laws and regulations, and have been approved and filed by the Labor Affairs Department of New Taipei City government.

(II) Employee care:

Employees are not only the assets of the enterprise, but also the driving force for the growth of the company. In addition to providing employees with a safe working environment to avoid injury to employees, the Company also:

1. Establishes an employee welfare committee to coordinate various welfare measures.
2. Employees' health examination is carried out every year to promote employees' health.
3. It is equipped with TV, Karaoke and billiards table to facilitate employees to adjust their body and mind and relieve pressure.
4. Established in 2018 -
   (1) Spinning bike club - the Company purchases 10 spinning bikes, and the

employees set their own management and use rules to achieve the effect of sports and fitness.

(2) Nursing room - create a maternal care and friendly workplace. The factory is equipped with an independent and private nursing room, and provides health education, maternal and infant health information, as well as special cooperation with nearby special nurseries, so as to create a working environment in which female employees are more willing to work while achieving a balance between work and family life.

5. In May 2020, a sphygmomanometer was purchased for colleagues to measure from time to time.
6. Fat reduction activities was held in July 2021 to make the colleagues care about their own health from time to time.
7. In response to the COVID-19 epidemic, the relevant information will be updated by the Ministry of Industrial Safety.
8. Hold health lectures - hire professional doctors to give lectures in the factory

Date	Lecturer	Subject	Lecture time
2023.3.23	Registered Nurse, Ching-Ju, Chen, Far Eastern Memorial Hospital	Dental Health	1 hour
2023.8.07	Dr. Fan, Kuang-Wei, Far Eastern Memorial Hospital	Kidney Health	1 hour

(III) Investor Relations: To facilitate investors to understand the Company's operating status,

1. A "spokesperson" system is provided to facilitate direct communication between investors and companies.
2. Disclosure of company information at "Public Information Observatory" and company website when appropriate.

(IV) Supplier relationship:

The Company has always maintained a good relationship with suppliers, and has established "supplier management" operating procedures in the internal control system to maintain the supply quality and relationship with suppliers, and treat suppliers in ethical corporate management principles.

(V) Stakeholder:

The company respects the rights and interests of stakeholders, identifies the stakeholders of the company, understands their reasonable expectations and needs through appropriate communication methods and the participation of stakeholders, and properly responds to important corporate social responsibility issues concerned by stakeholders. Each department is responsible for the communication with stakeholders and reports to the board of directors from time to time.

Stakeholder	Main issues of concern	Communication channel and response method
Shareholder	Market image / economic performance / compliance with environmental laws	1. A shareholders' meeting, held in the second quarter of each year, was held on June 14, 2023. The motion shall be

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	Summary description	
		and regulations / environmental assessment of suppliers / investment / labor employment relationship / health and safety of customers / product and service labeling / ethical corporate management		voted on a case by case basis, and shareholders can also exercise their voting rights through electronic means to fully participate in the motion voting process. After the meeting, the voting results of each proposal shall be announced at the MOPS. 2. The annual report of the shareholders' meeting and business report shall be issued every year for investors' reference. 3. Publish the statistics of the previous month's revenue, the revenue of each product business and the un-audited profit and loss information on the MOPS and the company's website every month. 4. Set up an investor zone on the Company's website to provide other non-financial related information of the Company.	
	Employee	Labor employment relationship / non-discrimination / occupational health and safety / diversity and equal opportunities / talent cultivation / remuneration and welfare system / ethical corporate management		1. Labor management meetings are held quarterly. 2. An employee welfare committee has been established, and the members are elected by the employees themselves to coordinate various welfare measures. 3. Establish a labor retirement reserve supervision committee to supervise the Company to allocate sufficient old-system pensions to ensure the due welfare of employees. 4. There are educational and training procedures to cultivate talents. 5. Hold emergency response drills every year to urge employees to pay attention to workplace and their own safety. 6. Every year, a professional and qualified medical team is hired to go to the factory and Taipei Branch for health examination for employees, and colleagues in other business	

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	Summary description	
				offices are arranged to go to the medical institutions with agreed health examination with the company.	
	Supplier	Market image / economic performance / compliance with environmental laws and regulations / labor employment relationship / labor evaluation of suppliers / anti-corruption / ethical corporate management		1. Irregular exchange of visits. 2. There is a supplier's environmental management procedure, and the Purchasing Department conducts environmental surveys in November and December of each year, or from time to time, on suppliers who have cooperated with the Company in the past year and those related to major environmental consideration, and issues the supplier's environmental advocacy notice to urge the supplier to comply with the environmental laws and regulations.	
	Customer	ethical corporate management / innovation / supplier environmental assessment / protection of customer privacy / business performance/ Marketing communication		1. The customer base of the Channel Business Department is consumers. In addition to the relevant information disclosed on the Company's website, the relationship with customers is to communicate face-to-face with customers through various outlets or participate in various computer exhibitions. 2. System Manufacturing Business Department- (1) Hold dealer meetings every year, in addition to introducing the company's new products, so as to contact with customers and understand the operation status of customers in the previous year. The event took place at the Fullon Hotels in Shenkeng, New Taipei City, from September 24 to September 27, 2023. (2) Conduct customer satisfaction survey every year to improve customer service. (3) Assist customers in product technical discussion from time to time.	

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	

		(4) Use an E-supply chain system to provide overall supporting services for customer business.
Government agencies	Business performance / ethical corporate management / compliance with environmental regulations / waste water management / air pollutant management / waste management / compliance with socio-economic regulations / climate change and energy conservation and carbon reduction/ water resources management	1. Communicate through official documents. 2. Participate in seminars and advocacy meetings organized by the competent authority. 3. Report the information to be announced on MOPS.

In addition to the above stakeholder communication channels, the Company also has a stakeholder section in the annual report for the shareholders' meeting and the Company's official website to facilitate the selection and reading of stakeholders and the public, and mark the contact channels for stakeholders, hoping to strengthen accessibility, transparency, timeliness, integrity and interaction, so that the Company can understand the issues concerned by stakeholders and respond appropriately, while the feedback will be used as the basis for continuous improvement.

(VI) Further education of Directors and supervisors:

1. The directors of the Company have industrial professional background and practical experience in operation and management.
2. The Company replaced the supervisor system with an audit committee, so there is no relevant information about the further study of supervisors.
3. Directors' further education

Title	Name	Study date	Organizer	Course name	Hours of education	Whether the study follows the regulations
Chairman	Yi-Tong Shen	2023.10.31	Taiwan Corporate Governance Association	Proxy fights, shareholder activism, and voting results: analyzing director responsibilities through global perspectives.	3	Yes
		2023.11.21	Taiwan Corporate Governance Association	Directors' and Supervisors' Legal Liabilities of Public Companies	3	Yes
Director	Ming-Xiao Lu	2023.10.27	Taiwan Corporate Governance Association	Family Constitution & Family Offices	3	Yes

Evaluation items		Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies	
		Yes	No	Summary description		
		2023.11.16	Taiwan Institute for Sustainable Energy	6thGlobalCorporateSustainabilityForum3-2	3	Yes
Independent director	Yong-Cheng Chun	2023.04.25	Taiwan Corporate Governance Association	Strategy for Management Power Fight and Legal Responsibility Risk of Responsible Persons and Independent Directors	3	Yes
		2023.06.16	Taiwan Corporate Governance Association	Corporate Mergers and Acquisitions Regulations and Practice - Case Study	3	Yes
Independent director	Jun-Ming Wang	2023.07.28	Taiwan Corporate Governance Association	How the Audit Committee interprets and applies the Audit Quality Indicators	3	Yes
		2023.10.17	Taiwan Corporate Governance Association	How independent directors can combine business judgment with the duty of loyalty	3	Yes
Independent director	Xiao-Long Feng	2023.07.28	Taiwan Corporate Governance Association	How the Audit Committee interprets and applies the Audit Quality Indicators	3	Yes
		2023.10.17	Taiwan Corporate Governance Association	How independent directors can combine business judgment with the duty of loyalty	3	Yes
Director	Representative of Nankang Rubber Tire: Jun-Ying Lin	2023.07.13	Taiwan Corporate Governance Association	Brief guidance for directors and supervisors to monitor companies to establish risk management policies	3	Yes
		2023.07.20	Taiwan Corporate Governance Association	How companies can strengthen strategy execution	3	Yes
Director	Wen-Chun Cai	2023.03.16	Securities and Futures Institute	2030/2050 Green Industrial Revolution	3	Yes
		2023.11.02	Taiwan Institute of Directors	Green Transformation - Supply Chain Sustainability Management and Green Operation	3	Yes
		2023.11.02	Taiwan Institute of Directors	Under the ESG wave - digital transformation and future key talents	3	Yes

Note: Directors and supervisors who pursue further education are referred to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" published by the Taiwan Stock Exchange Corporation.

(VII) Implementation of risk management policies and risk measurement criteria:
Please refer to the "Review and Analysis of Financial Condition and Results of Operations and Risk Matters" note in this annual report.

(VIII) Enforcement of consumer or customer protection policies:
The Company maintains good relationships with customers and provide them with services in accordance with our internal management system, with customer satisfaction as our highest guiding principle.

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

Insured object	insurance company	Insured amount	Insurance period

Evaluation items	Operation situation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	

			(start and end)
Directors and managers	Fubon Insurance Co., Ltd.	Limit of liability: US$5 million	2022/8/1~2023/8/1
Directors and managers	Fubon Insurance Co., Ltd.	Limit of liability: US$5 million	2023/8/1~2024/8/1

The renewal in 2023 was reported at the 3rd session of the 14th term Board of Directors on August 2, 2023.

IX. Please explain the improvement of the corporate governance evaluation results released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and put forward priority strengthening matters and measures for those that have not been improved:

The results of the ninth (2022) corporate governance evaluation, the Company is 51% to 65% of counter companies.

After the annual evaluation results are announced, the Company will review items that have not yet met the evaluation criteria, and adjust and improve gradually.

- ∗ In addition to adjusting the content of the updated annual report and the Company's website disclosure, the Company was also invited to attend corporate briefings and disclose information (such as shareholders' meetings and financial reports) in English to enhance transparency and reduce asymmetry in 2022.
- ∗ In terms of strengthening the structure and operation of the Board, amendments to the Articles of Association, nominating Directors, setting up information security officers and personnel, and corporate governance supervisors have been passed.
- ∗ The Sustainable Development Department was established as a dedicated unit on January 1, 2024, with the aim of promoting sustainable development. The department provides quarterly reports to the board of directors to ensure effective supervision.

Note: evaluation form of CPAs' independence and competence in 2024

CPAs' independence evaluation form
Assessment date: December 6, 2023

Evaluation year: 2024
Name of CPAs firm: KPMG
Name of CPAs: Ching-Wen Kao, Mei-Yan Chen

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

Evaluation results:
According to the statement of detached independence and audit quality indicators issued by Ching-Wen Kao and Mei-Yan Chen, CPAs of KPMG appointed this year, and by referring to Article 47 of the Certified Public Accountant Act and the provisions of bulletin of code of professional ethics No. 10, the evaluation result is detached and independent as well as excellent audit quality.

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

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

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

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

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

By the end of April 2024, the Remuneration Committee of the Company is composed of all three Independent Directors.

◆ This committee is unpaid.

(1) Information of Remuneration Committee Membership

March 31, 2023

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

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

Identity	Name	Condition	Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
				shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 8. Not a Director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the latest two years 10. Not a spouse or a relative within the second degree of kinship with any Director 11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	

Condition / Name / Identity		Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
Independent director	 Xiao-Long Feng	1. Reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and Director, manager of news department and Director of BCC, spokesman of BCC, Director of Satellite Television Broadcasting Association, R.O.C., Director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin University, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University. 2. Working experience in business, finance, accounting and company business 3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act	1. Not an employee of the Company or its affiliated enterprises 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act 6. Not a Director - a member of the governing board or a Director, supervisor, or employee of another company controlled by the same person having a majority of voting shares. 7. Not a Director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company. 8. Not a Director (member of the governing board), supervisor (member of the supervising board),	None

Identity / Name / Condition		Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
			managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company. 9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the Company and any affiliated company for remuneration from the latest two years 10. Not a spouse or a relative within the second degree of kinship with any Director 11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	

(2) Operation of Remuneration Committee

I. The Remuneration Committee of the Company consists of three members.

II. Term of office of the current (4th term) member: June 14, 2023 to June 13, 2026.
The Remuneration Committee has held 3 meetings (A) in recent years. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (B)	Number of delegated attendance	Actual attendance (%) (B/A)	Remark
Convener	Jun-Ming Wang	3	0	100	Re-elected on June 14, 2023.
Committee member	Yong-Cheng Chun	3	0	100	Re-elected on June 14, 2023.
Committee member	Xiao-Long Feng	3	0	100	Re-elected on June 14, 2023.

Other matters to be recorded:

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

recommendations of the Remuneration Committee, it shall state the differences and reasons):
There are no circumstances in which the board of directors does not adopt or amend the recommendations of the Remuneration Committee.

II. For the decisions of the Remuneration Committee, if the members of the Remuneration Committee have objections or reservations and have records or written statements, the date, term, content of the proposal, opinions of all members and the handling of the opinions of members shall be stated:
No member has any objection or reservation.

III. Evaluation cycle and period, evaluation scope, method and evaluation content of the Remuneration Committee's self-evaluation:
(I) Perform the performance evaluation of the Board of Directors and functional committees in accordance with the Company's "board performance evaluation measures".
(II) Evaluation cycle: the performance evaluation of the internal Board of Directors shall be carried out at least once a year.
(III) Evaluation period: from January 1, 2023, to December 31, 2023.
(IV) Evaluation scope: including the performance evaluation of the overall Board of Directors, individual board members and functional committees.
(V) Evaluation method: self-evaluation, including internal self-evaluation of the Board of Directors and functional committees and self-evaluation of board members.
(VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point
(VII) Performance evaluation results of the Remuneration Committee: excellent
In the performance evaluation of the Remuneration Committee, the measurement results cover five aspects, the total number of questions is 21, and the average score of each aspect is 4.68 (the full score is 5).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the Company	4	4.75	
B. Awareness of Remuneration Committee Responsibilities	4	4.67	
C. Improvement on the decision-making quality of the Remuneration Committee	7	4.67	
D. Composition and member selection of Remuneration Committee	3	4.67	
E. Internal controls	3	4.67	
Total / average	21	4.68	Excellent

(VIII) Conclusion:

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

IV. Key Resolutions for the 2023 Remuneration Committee

Date of Remuneration Committee	**Content of proposal**	Member opinion	Handling of opinions
The 10th session of the 4th term 2023.03.09	1. Review the performance evaluation of the Company's directors and managers in 2022 2. Reviewed the proposal on the remuneration of Directors and employees of the Company in 2022 3. The Company's 2022 directors' remuneration distribution plan 4. Remuneration distribution plan of the Company's managers in 2022 5. Review the Company's salary adjustment plan for 2023 6. Review the salary adjustment evaluation of managers of the Company in 2023	No objection and reservation	None
The 1st session of the 5th term 2023.06.14	The Board of Directors has passed the re-elected the 5th member Remuneration Committee.	No objection and reservation	None
The 2nd session of the 5th term 2023.12.08	1. Proposal for Review the Company's Standards and Structure of Board of Directors and Manager Remuneration Policy System 2. Review the Company's Policy of Performance Evaluation of Directors and Managers 3. Review the Company's Evaluation of Director Remuneration and Business Execution Expenses 4. Review the Company's Manager Salary Project and Remuneration Evaluation 5. Review the Company's Manager's Year-end Bonus and Festival Gift Distribution 6. Review of the check for the remuneration of Directors and managers of the Company in 2023	No objection and reservation	None

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

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>I. Does the Company establish a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is handled by the senior management authorized by the Board of Directors, and the supervision of the Board of Directors?</td><td>V</td><td></td><td>1. The Department of Sustainable Development was established on January 1, 2024, with the Executive deputy general manager appointed as its head. Progress reports will be submitted to the Board of Directors on a quarterly basis for supervision.
2. On March 3, 2023, the 17th meeting of the 13th Board of Directors reported the implementation of the 2023 first quarter as follows:
Former full-time employee, Po-Lin, Ho, has left the Company and has been replaced by Pao-Kuo, Shih from the Industrial Safety Department.
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>Carbon emission trading mechanism and carbon management application</td><td>2/1~3/31</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>Guidance for Carbon Inventory (Investigation Calculation Form)</td><td>2/23</td><td>Core Integration Consultants Co., Ltd.</td></tr>
<tr><td>Analysis of Editing the ESG Report</td><td>2/1~3/31</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>Greenhouse Gas Inventory and Assurance Accompaniment Service</td><td>2/1~3/31</td><td>KPMG Carbon Resource Assurance and Advisory Services Co., Ltd.</td></tr>
</table>
Passed the Second Proposal of Discussion Item: Subsidiary Planning for "Greenhouse Gas Inventory and Verification"

∗ Flexbasis Technology</td><td>No significant difference</td></tr>
</table>

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Work Items</th><th>Estimated time to complete</th></tr>
<tr><td>Establishment of dedicated (part-time) positions, number of dedicated (part-time) personnel, and their scope of responsibilities.</td><td>June 2023
Dedicated Unit: Administration Division
One full-time staff member: Yen-Ching, Chang</td></tr>
<tr><td>Define of Inventory Plan</td><td>December 2027</td></tr>
<tr><td>Define of Verification Plan</td><td>December 2029</td></tr>
</table>
∗ Subsidiary
MilDef Crete Australasia Pty. Ltd.
<table>
<tr><th>Work Items</th><th>Estimated time to complete</th></tr>
<tr><td>Establishment of dedicated (part-time) positions, number of dedicated (part-time) personnel, and their scope of responsibilities.</td><td>June 2023
Dedicated Unit: Marketing Department
One full-time staff member: Hsuan-Yun, Tung</td></tr>
<tr><td>Define of Inventory Plan</td><td>December 2027</td></tr>
<tr><td>Define of Verification Plan</td><td>December 2029</td></tr>
</table>
3. On May 3, 2023, the 18th meeting of the 13th Board of Directors reported the implementation as follows:
∗ Parent company
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>Application for Carbon Inventory Preparation Guide</td><td>4/19</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>2023 ESG Regulations and Key International Trends</td><td>4/28</td><td>DINGXIN COMPUTER</td></tr>
</table>
∗ Subsidiary
Flexbasis Technology
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>Using digital intelligence to mitigate electricity prices and border carbon taxes, while simultaneously reducing greenhouse gas emissions.</td><td>3/31</td><td>DINGXIN COMPUTER</td></tr>
</table>
∗ Subsidiary
</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>MilDef Crete Australasia Pty
<table><tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr><tr><td>Pathway to Achieve Net Zero Carbon Emissions (Quantifying Carbon Footprint Declares Net Zero Carbon Emissions)</td><td>3/21</td><td>DINGXIN COMPUTER</td></tr></table>
4. On August 2, 2023, the 3rd meeting of the 14th Board of Directors reported the current implementation of the inventory planning as follows:
＊ Parent company
<table><tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr><tr><td>Low-carbon Industry Talent Training (Advanced Seminar for Carbon Management)</td><td>06/08</td><td>Chinese National Federation of Industries</td></tr><tr><td>Checked the ESG (carbon footprint) or not? Essential Measures for Corporations to Reduce Carbon Emissions</td><td>07/14</td><td>DINGXIN COMPUTER</td></tr><tr><td>Digital Transformation - The Future of Enterprises</td><td>07/17</td><td>DINGXIN COMPUTER</td></tr></table>
＊ Subsidiary
Flexbasis Technology
<table><tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr><tr><td>2023 ESG Regulations and Key International Trends - Domestic Prospective</td><td>04/14 04/28</td><td>DINGXIN COMPUTER</td></tr><tr><td>Calculate my carbon footprint without the counseling</td><td>05/12 05/26</td><td>DINGXIN COMPUTER</td></tr><tr><td>Analyzing Carbon Source Records for Achieving Energy Transparency</td><td>06/09</td><td>DINGXIN COMPUTER</td></tr></table></td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>∗ Subsidiary
MilDef Crete Australasia Pty
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>A Practical Path to Net Zero Carbon Emission (Reduction-Promoting the Energy Conservation and Carbon Reduction)</td><td>06/21</td><td>DINGXIN COMPUTER</td></tr>
</table>
5. On November 1, 2023, the 4th meeting of the 14th Board of Directors reported the current implementation of the inventory planning as follows:
∗ Parent company
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>Introduction to Green Product Regulations</td><td>09/08</td><td>Intertek Testing Services Taiwan Ltd.</td></tr>
<tr><td>Checked the ESG (carbon footprint) or not? Protecting customer, production, and operational security is the fundamental basis of information security for ensuring sustainable business operations.</td><td>09/11</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>CEO Net Zero Workshop - Towards Low Carbon Sustainable CEO Actions</td><td>09/21</td><td>Chinese National Federation of Industries</td></tr>
</table>
∗ Subsidiary
Flexbasis Technology
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>Reducing carbon emissions is not only about taking action, but also about accelerating and implementing the right strategies to effectively reduce carbon.</td><td>07/14</td><td>DINGXIN COMPUTER</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Net zero is not an expense, it is an investment! How can we engage in carbon reduction initiatives without incurring financial losses?</td><td>07/28</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>With the introduction of the carbon passbook era, how should we approach investing in stocks and carbon?</td><td>08/11</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>In an era of labor shortage, it is crucial to find ways to protect employees, create a positive work environment, foster sustainable talent, and enhance work efficiency through the use of AI.</td><td>09/22</td><td>DINGXIN COMPUTER</td></tr>
</table>
∗ Subsidiary
MilDef Crete Australasia Pty
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>A Practical Path to Net Zero Carbon Emission (Controlling Electricity - Mastering Energy Management)</td><td>09/21</td><td>DINGXIN COMPUTER</td></tr>
</table>
6. On December 20, 2023, the 5th meeting of the 14th Board of Directors reported the current implementation of the inventory planning as follows:
∗ Parent company
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>Understanding Carbon Tariffs</td><td>11/02</td><td>Industrial Technology Research Institute</td></tr>
</table>
∗ Subsidiary
Flexbasis Technology
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Establishing Corporate SDGs & ESG Culture: Cultivating a Sustainable DNA</td><td>10/06</td><td>Taiwan Safety Health & Environment</td></tr>
<tr><td>Trend Regulatory Compliance - Create a new energy saving and carbon reduction enterprise with carbon inventory and energy management</td><td>10/21</td><td>Ahead International Management Consulting CO., LTD</td></tr>
<tr><td>Practical Control and Supervision - Create a new energy saving and carbon reduction enterprise with carbon inventory and energy management</td><td>10/28</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>Create a new energy saving and carbon reduction enterprise with carbon inventory and energy management</td><td>11/04</td><td>DINGXIN COMPUTER</td></tr>
<tr><td>Sustainable Lean: Establishing Green Value for Competition and Success</td><td>12/05</td><td>Corporate Synergy Development Center</td></tr>
</table>
∗ Subsidiary
MilDef Crete Australasia Pty
<table>
<tr><th>Course name</th><th>Class Date</th><th>Class Units</th></tr>
<tr><td>A Practical Path to Net Zero Carbon Emission (Process - Improving Manufacturing Energy Consumption)</td><td>11/21</td><td>DINGXIN COMPUTER</td></tr>
</table>
</td><td></td></tr>
<tr><td>II. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's</td><td></td><td>V</td><td>The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.</td><td>No significant difference</td></tr>
</table>

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?				
III. Environmental issues (I) Does the Company establish an appropriate environmental management system according to its industrial characteristics?	V		1. In order to fulfill the corporate responsibility of environmental protection and taking care of the safety and health of colleagues, and based on the conscious awareness of environmental protection, the management needs of pollution prevention and control, and the responsibility of environmental protection and social responsibility, the Company established an environmental management system according to the requirements of ISO-14001 International standard in 2003, passed the ISO-14001 environmental management system certification in October 2005, and incorporated RoHS production into the ISO14001 system in 2006 to set environmental sustainability objectives and regularly review progress. Through the operation of the environmental management system (ISO14001), it also has an "environmental manual" and relevant management procedures according to its own industrial characteristics, holds an environmental management review meeting every six months, and is audited by external units to the factory every year. And we continue to pay attention to the revision of relevant laws and regulations, so that the Company can formulate countermeasures in time, achieve the purpose of effectively controlling environmental risks, and	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			improve employees' awareness of harmful substances and emergency response ability. 2. The Company is committed to promoting smoke prevention and health promotion in the workplace. It has been assessed by the Health Promotion Administration, MOHW as meeting the Tex Year Award Badge of Accredited Healthy Workplace. 3. Certificate related information ＊ ISO 9001- Issued by: Taiwan Products Testing and Certification Center Certificate No.: 3EAY017-04 Date of issue: September 23, 2022 Term of validity: September 22, 2025 ＊ ISO 14001- Issued by: Taiwan Products Testing and Certification Center Certificate No.: 3EAE002-04 Date of issue: September 23, 2022 Term of validity: September 22, 2025 ＊ Health Activation Badge of Accredited Healthy Workplace Certificate No.: HPAB1101034 Date of issue: February 14, 2022 Term of validity: January 1, 2022 to December 31, 2024	
(II) Is the company committed to improving energy efficiency and using recycled materials with low impact on environmental load?	∨		The Company is continuously committed to improving the utilization efficiency of various resources: for example, encourage employees to carry Bento boxes and environmentally friendly chopsticks, and reduce the use of paper lunch boxes; envelopes and kraft paper bags are reused as internal document transfer bags. In order to avoid environmental pollution and waste of resources caused by the discarding of toner cartridges, the toner cartridges used by copiers or printers are handed over to the Park Management Committee for recycling and disposal, and environmentally friendly toners are used. 2023 New Environmental Impact Measures -	No significant difference

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>1. Replacing the original mechanical temperature control switch with a digital adjustment switch effectively resolves the issue of uneven temperature in the area. This upgrade provides colleagues with a more comfortable temperature environment and allows for precise control over the lower temperature limit. It ensures that the temperature remains within a reasonable range for human comfort and reduces excessive power consumption by the compressor. This achieves a balance between energy saving and personnel health.
2. From May onwards, the leave system will be digitized in order to minimize paper usage.</td><td></td></tr>
<tr><td>(III) Does the company evaluate the potential risks and opportunities of climate change to enterprises now and in the future, and take relevant countermeasures?</td><td>V</td><td></td><td>The Company has the Industrial Safety Department as a special unit dealing with labor safety and environmental management. However, it is also the responsibility of all departments to maintain the environment. In addition to the "environmental manual" and relevant management procedures, it also regularly tracks and reviews the implementation of various energy conservation and carbon reduction plans, continues to pay attention to the impact of the evolution of international climate change related agreements and national laws and regulations on the Company, and timely formulates appropriate countermeasures to reduce the impact on the operation and reduce the impact of the Company's operation on the natural environment.</td><td>No significant difference</td></tr>
<tr><td>(IV) Does the Company count the greenhouse gas emissions, water consumption and total weight of waste in the past</td><td>V</td><td></td><td>1. The statistics of the head office and factories in 2023 and 2022 are as follows:
<table><tr><td>Item</td><td>2023</td><td>2022</td></tr><tr><td>General solid waste volume - hazardous substances (ton)</td><td>2.60</td><td>1.79</td></tr><tr><td>Wood pallet clearing and transportation (3.5 tons / vehicle)</td><td>20</td><td>2</td></tr><tr><td>Plant carbon dioxide</td><td>Date of</td><td>Date of</td></tr></table></td><td>No significant difference</td></tr>
</table>

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
two years, and formulate policies for greenhouse gas reduction, water reduction or other waste management?			(Legal 5,000ppm) / inspection: June 30 422~625 / inspection: August 5 524~679 Water consumption (degree) / 2,169 / 2,106 Lead concentration in air / 0.00283mg/m3 / 0.00367mg/m3 2. The above data is our own outsourced testing and statistics, and has not been certified by third parties. 3. The amount of general solid waste in 2023 has increased compared to 2022, primarily due to the renovation of factory buildings and the disposal of stagnant inventory.	
IV. Social issues (I) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and International Bill of Human Rights?	∨		In order to protect the rights and interests of all workers, all human rights actions of the Company strictly abide by the provisions of Labor Standards Act and regulations to protect employees. The relevant guidelines for human rights management are as follows: 1. The Company holds labor-management meeting every quarter. Although there is no labor union at present, the Company holds labor-management meeting every quarter, with five representatives from both labor and management to discuss various topics, so as to promote an effective and fair communication mechanism, promote labor and management harmony and create a win-win situation. 2. Formulate the "measures for appeal and punishment of sexual harassment prevention measures in the workplace" to safeguard the rights and interests and privacy of the parties. 3. Through the "supplier evaluation method" and sending the supplier's "commitment letter of environmental restricted substances for green products" and "ISO14001 supplier environmental publicity notice" every three years, we hope to examine human rights issues with	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			a more positive attitude and a broader perspective through communication and cooperation with suppliers, and be responsible for various social and environmental issues. 4. On the day of the newcomer's report, the Personnel Department will promote the Company's policies to new employees and show the importance of human rights issues.	
(II) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacation and other benefits), and properly reflect the business performance or results in the employee remuneration?	∨		1. The salary and remuneration policy of employees is determined based on personal ability, contribution to the Company, performance, competitiveness and future operation risks of the Company. Article 20 of the articles of association of the Company stipulates that if the company makes profits in the year, it shall allocate 5% ~ 10% as the remuneration of employees, which shall be distributed in shares or cash by resolution of the board of directors. 2. It has formulated the "code of conduct for employees", "performance appraisal measures", "reward and punishment measures", "overtime and compensatory leave management measures", "employee retirement management measures", "employee leave management measures", "wedding and funeral greetings management measures" and "education and training procedures". In addition to advocating relevant corporate ethics, employee performance, reward and punishment systems, it also lists talents, systems and forward-looking deployment as assessment indicators, echoing the important mission of corporate social responsibility and people-oriented enterprise sustainable development, in order to enhance the company's future competitiveness.	No significant difference
(III) Does the	∨		1. For many years, the Company has set up	No significant

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?			an environment-friendly, safe and healthy workplace in accordance with the requirements of relevant laws and regulations such as environmental protection, occupational safety, fire control and Ionizing radiation, as well as the results of environmental impact and safety risk assessment. 2. The emergency response drill in the plant area is carried out every year and has been completed on September 22, 2023. Instructor Mr. Tu from the Chinese Association of Fire Protection to provide guidance. 3. We send personnel to participate in the fire prevention / fire fighting / refuge retraining held by the park management committee, and have participated on November 22, 2023. 4. The annual health examination was carried out on February 21, 2023: general health examination: 139 people were examined; including health examination for special operations: (1) ionizing radiation: 4 persons tested (2) lead: 29 persons tested. 5. In response to the needs of workplace safety control and management, and in line with the Company's deployment of full automation for future operations, the "face recognition and access system" was built in the third quarter of 2019 and officially put into operation in January 2020. 6. The Company is committed to promoting smoke prevention and health promotion in the workplace. It has been assessed by the Health Promotion Administration, MOHW as meeting the Tex Year Award Badge of Accredited Healthy Workplace. 7. In 2023, there was one case and an employee commuting accident, accounting for a rate of 0.3% of the total number of employees (306 people), and the Company	difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			has assisted in proper handling. 8. No fire incidents occurred in 2023.	
(IV) Does the company establish an effective career competency development training plan for employees?	∨		1. The Company has established "education and training procedures" to improve the quality of employees and enhance employees' professional knowledge and skills. 2. The Company's education and training is divided into pre-service training and on-the-job training. Pre-service training: It is divided into general pre-service training and pre-service training within the department. I. General pre-service training: That is, the training of new employees is directly handled by the HR unit. The purpose is to guide new employees to be familiar with the working environment and relevant regulations, so as to integrate into the company's organizational culture. The training contents include: (I) Description and introduction of the company's historical evolution. (II) According to the "company organization and rights and responsibilities operating procedures", employees can understand the rights, responsibilities and responsibilities of the unit. (III) According to the instructions of "employee work rules", employees can understand the Company's management rules and regulations (IV) Publicize the company's quality policy, environmental policy and quality objectives. (V) Description of various welfare measures of the company. (VI) Advocate the "code of practice on labor safety and health" to prevent occupational disasters. (VII) Advocate "emergency response management procedures" to reduce	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			disaster losses. (VIII) Other specified or advocated policy descriptions. II. Pre-service training within the department: The hiring supervisor shall assign senior or professional personnel to guide the new employees, and provide pre-service guidance according to the specific work needs of the department, so that the employees can learn the situation immediately. On the job training: Since the compliance with product quality requirements will be directly or indirectly affected by the implementation of relevant staff, the heads of each unit may consider the work of employees and provide relevant professional knowledge or skill training to cultivate their ability. Training methods can be divided into internal training and external training. I. Internal training includes unit training or cross departmental training, project training, lectures or lectures given by scholars or experts to the Company, and online platform teaching training. II. External training may be assigned by the Company or applied for by employees, and subsidy measure applied by employees has been stipulated. 3. Annual training hours planning: (1) manager, deputy manager, section chief, specialist, secretary and engineer: 24h / year (2) team leader, assistant, technician and other direct employees: 15h / year 4. For details, please refer to Page 143 of this annual report.	
(V) Does the company comply with relevant laws and regulations and international	∨		1. The Company is committed to the R&D and innovation of manufacturing technology to provide excellent products. With the spirit of excellence, we continue to improve to provide customers with	No significant difference

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
standards on issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers or customers?			high-quality products. 2. In terms of quality management system and environmental management system, it has passed the verification of the following standards after being verified by relevant verification institutions: (1) ISO9001 quality management system certification (2) ISO14001 environmental management system certification. 3. The Company's "code of ethical corporate management" stipulates that the Company's personnel shall abide by the relevant laws and regulations on intellectual property, standardize business activities and protect the rights and interests of consumers in accordance with applicable laws and regulations and international standards. 4. The Company has nine internal control cycles to standardize each operation process. In order to protect the rights and interests of consumers, a customer service department is set up to protect the rights and interests of consumers or customers. The customer complaint contact window is marked on the Company's website (www.crete. com.tw). Customer complaint window: North District (02) 2322-1769 AVP Shi-Zhe Lin; Central South District (07) 2358069 AVP Xin-Xiong Huang.	
(VI) Does the company formulate supplier management policies to require suppliers to comply with relevant regulations and their implementation	∨		1. Investigate and evaluate the supplier's production capacity, understanding the Company's environmental policies, factory affairs and business conditions before procurement, and 2. Confirm that the supplier has sufficient ability to produce the product quality specifications and delivery date required by the Company. The Company has a "supplier evaluation method". The "supplier evaluation method" specifies - 1. Rights and responsibilities:	No significant difference

<table>
<tr><th rowspan="2">Promoted items</th><th colspan="3">Implementation</th><th rowspan="2">Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>on environmental protection, occupational safety and health or labor human rights?</td><td></td><td></td><td>Purchasing Department: responsible for the evaluation and compilation of suppliers' delivery time and warehouse management ability.
R&D Division: responsible for the evaluation of supplier's process capability.
Quality Assurance Department: responsible for the evaluation of supplier quality capability.
2. All the production materials delivered by our suppliers to the Company shall meet the "environmental restricted substances standard for green products". It is expected to use the influence of the Company to promote environmental protection and safety management to the main suppliers of the Company through supply chain management.
3. Supplier environmental management -
(1) Environmental policy advocacy and communication of environmental requirements
(2) Supplier environmental audit
If the supplier has significant impact on the society due to environmental pollution or violation of labor human rights, we will first ask the supplier to make an explanation, investigate according to the situation, and evaluate the feasibility of terminating or cancelling the contract.
4. For 291 qualified suppliers in 2023, the evaluation results are as follows -
<table><tr><th>Item</th><th>Qualified number</th><th>% of suppliers</th></tr><tr><td>Environmental Promotion Notification Form</td><td>291</td><td>100</td></tr><tr><td>Letter of commitment for environmental restricted substances of green products</td><td>244</td><td>84</td></tr><tr><td>Conflict-Free Minerals Statement</td><td>250</td><td>86</td></tr><tr><td>Magnets and Tungsten Declaration</td><td>209</td><td>72</td></tr><tr><td>Integrity Statement</td><td>201</td><td>69</td></tr></table></td><td></td></tr>
</table>

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			Average Delivery Quality 98.9% Visited 14 suppliers in 2023.	
V. Does the company refer to the internationally accepted standards or guidelines for the preparation of reports to prepare sustainability reports and other reports that disclose the company's non-financial information? Has the disclosure report obtained the confirmation or assurance opinion of the third-party verification unit?		V	At present, the company has not prepared the sustainability report, but is committed to promoting various issues related to sustainable operation. In the future, it will prepare the report in due time in consideration of international trends and market changes.	No significant difference
VI. If the company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe the differences between its operation and the established code: At present, the Company does not have a "Code of Practice for Listed Companies on Sustainable Development", but the Company knows that enterprises are part of a social citizen and have their responsibility to fulfill the social responsibility. Considering, all aspects of promoting corporate governance, the development of sustainable environment, etc., have positive, concrete and practical efforts, and take positive human nature as the starting point, subtly into a way to promote, and to integrate the Company culture as a practical goal, so the overall sustainable development operation of the Company is in line with the relevant principles of the Code of Practice, there are no major differences. For the sustainable development operation of the Company, please refer to the above description.				
VII. Other important information helpful to understand the implementation of promoting sustainable development: (I) Environmental protection In October 2005, the Company was verified by the environmental management system of ISO 14001 of the Bureau of Standards, Metrology and Inspection, M.O.E.A., and launched environmental protection related schemes every year for improvement.				

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

At present, we are actively promoting green products (GP), which have reached the specifications of WEEE and RoHS. In the future, we will aim to achieve EuP and comply with national environmental policies. The Company's current environmental objectives and management plans are summarized as follows:

Serial number	Target	Plan	Implementation
1	Follow environmental regulations and implement pollution prevention	∗ Environmental impact assessment procedure ∗ Management procedure for registration and audit of environmental protection regulations ∗ Management procedure for environmental objectives and targets ∗ Management procedure for environmental management plan implementation ∗ Operating procedures for environmental education and training ∗ Management procedure for environmental communication ∗ Management procedure for environmental supervision and measurement	Follow environmental regulations and requirements of relevant groups, and continuously promote environmental improvement and pollution prevention
2	Fulfill the responsibility of energy conservation, waste reduction and environmental protection	∗ Waste management procedure	Save energy, establish waste management plan in the plant, comply with laws and regulations and promote resource recycling
3	Implement and reduce the impact of defective products on the environment	∗ Management procedure for supplier and environment ∗ Operating procedure for product environment design ∗ Operating procedure for internal quality audit	Process R&D focuses on reducing the impact of products on the environment, reducing the defective rate and reducing the generation of defective products
4	Strengthen the concept of fire	∗ ∗Fire fighting facilities	Strengthen the management

Promoted items		Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
		Yes	No	Summary description	
	prevention and management			management procedure	of fire-fighting facilities and implement the concept of disaster prevention
5	Continuously improve and create a high-quality working environment			∗ Management procedure for air quality ∗ Management procedure for hazardous chemical substance ∗ Procedure for noise control ∗ Management procedure for emergency response	Advocate the concept of environmental protection, improve the plant environment and provide employees with a good working environment. And provide appropriate information, education and training to enable employees and third-party manufacturers to have a better understanding of environmental protection awareness, so that all employees can have a better understanding of the earth's environmental protection awareness, hoping that all employees can contribute to the earth's environmental protection and natural symbiosis

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

The implementation of the environmental management plan in 2023 is as follows:

	Plan name	Environmental objectives	Environmental target	2023 Implementation results
1	ESG Management Program	The greenhouse gas inventory for the entire factory was completed in 2026.	Achieving ESG Accounting Assurance in 2026.	Collect ESG-related information and participate in training courses. Evaluate relevant information from counseling firms for promotion in 2024.
2	Optimizing Office Work spaces	Hardware Facility Update	Increase office space utilization by 20%.	After overall planning, the office seating has been reconfigured, increasing the number of seats from 19 to 32. This represents a 63% increase in the office

Promoted items		Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEx-listed companies
		Yes	No	Summary description	
				seating area, surpassing the initial target of 20%.	
3	EU POPs Directive Management Plan	Energy saving, carbon reduction, pollution prevention and harmlessness	The new product "DH8", introduced in 2023, complies with the regulations for POPs.	In February 2023, a POPs testing report for DH8 that meets the specifications was obtained.	

Compliance record of environmental protection regulations: There was no violation of environmental protection regulations in 2023.

(II) Social contribution

The Company is committed to the development of core business to protect the right to work and related benefits of employees, with a view to making a modest contribution to the society.

(III) Safety and health management

In view of the importance of working environment and personal safety protection measures for employees, the Company carries out major environmental consideration with the management system of ISO 14001, and gives priority to improvement by using objective and plan management; The lower risk is controlled by operation control, which has achieved remarkable results and control after good operation improvement.

1. Set the Industrial Safety Department as the dedicated unit.
2. According to the Occupational Safety and Health Act, through the management spirit of planning, implementation, inspection and action cycle management, we can achieve the objectives of preventing accidents, promoting employee safety and health and protecting the Company's assets.
3. In addition to accident prevention, we also formulate emergency response management procedures to clearly standardize the emergency handling process and the Company's emergency response organization. In case of a disaster, it can ensure the life safety of the company's employees and manufacturers' personnel and the property interests of the company's investors, and avoid or reduce the impact of the accident disaster on the society and environment.
4. Hold emergency response and evacuation drills every year to ensure that the Company minimizes disaster losses.
5. Conduct health examination for employees every year.
6. The management plans related to labor safety and health management are:

Nature	Plan name
Labor safety	1. Fire fighting facilities management procedure 2. Management procedure for hazardous chemical substance
Health management	1. Management procedure for air quality 2. Procedure for noise control 3. Management procedure for emergency response

Note 1: Specific description on risk assessment of major issues

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

Major issues	Risk assessment items	Importance to the Company	Management strategy
Corporate governance	Economic performance	Good business strategy can maintain a sound capital base, sustain the confidence of investors, creditors and the market, support the development of future operations, and maximize the interests of customers, manufacturers and employees	1. Continuously improve design, quality and service to achieve the highest customer satisfaction 2. Committed to the improvement of product performance and value 3. Constantly get rid of the old and bring forth the new to meet customers' demand 4. Advance and strive towards the goal of green environmental protection design, production, service and management.
	Anti-corruption	"Ethics and responsibility" is one of the core values of the enterprise. The Company adheres to the principle of corporate governance and requires the members of the governance unit to cooperate with the Company Employees shall have high ethics, implement the policy of ethical corporate management, and prohibit any conduct detrimental to our reputation and interests, so as to achieve the goal of sustainable operation.	1. The new employee training course advocates the Company's core value of "ethics and responsibility" 2. Formulate "code of ethical corporate management" and "code of ethical conduct".
	Socio-economic / regulatory compliance	Failure to comply with social and economic regulations may affect corporate image and goodwill, operational risk, so the Company abides by tax commitment, advocates the principle of integrity, and sets up occupational safety and health procedures to maintain long-term stable development of the Company.	Let employees know and comply with relevant laws and regulations through education and training, and publishing compliance announcements.

Execution Status of Climate-related Information

Item	Implementation
1. The Board of Directors and management are responsible for overseeing and managing climate-related risks and opportunities.	The Department of Sustainable Development was established on January 1, 2024, with the Executive deputy general manager appointed as its head. Progress reports will be submitted to the Board of Directors

Item	Implementation
	on a quarterly basis for supervision.
2. Explain the identified climate risks and opportunities impact the company's business, strategy, and finances (short-term, medium-term, and long-term).	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.
3. The Impact of Extreme Weather Events and Transition Actions on Finance	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.
4. The process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.
5. When using scenario analysis to assess resilience to climate change risks, it is important to provide an explanation of the context, parameters, assumptions, analysis factors, and significant financial impacts.	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.
6. If there is a transformation plan in place to address climate-related risks, please provide the details of the plan, including the indicators and objectives used to identify and manage both physical and transitional risks.	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.
7. If internal carbon pricing is used as a planning tool, the basis for determining the price should be explained.	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.
8. When setting climate-related goals, it is important to provide a clear explanation of the activities that will be covered, the scope of GHG emissions, the planning schedule, and the annual progress. If carbon offsetting or renewable energy certificates (RECs) are utilized to achieve these goals, it is necessary to specify the source and quantity of carbon offset or the quantity of RECs.	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.
9. Inventory and Assurance of Greenhouse Gas Emissions, Reduction Targets, Strategies, and Specific Action Plans (filled in sections 1-1 and 1-2).	The current progress is only to absorb relevant information and understand the relevant operation process, and select the appropriate professional counseling institution.

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

Implementation of ethical corporate management

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
I. Formulate ethical corporate management policies and plans				No significant difference
(I) Whether the Company has formulated an ethical corporate management policy approved by the board of directors, and clearly stated the policies and practices of ethical corporate management in the rules and external documents, as well as the commitment of the board of directors and senior management to actively implement the operation policy?	∨		(I) The Company has established a "code of ethical corporate management", "operation procedures and guidelines of conduct for ethical corporate management" and "code of ethical conduct" and placed them on the Company's website to demonstrate the commitment of the board of directors and management to actively implement the business policies. In addition, the "operation procedures and guidelines of conduct for ethical corporate management" specifies the policies and practices of ethical corporate management in external documents.	
(II) Does the Company establish an evaluation mechanism for the risk of unethical conduct, regularly analyze and evaluate the business activities with high risk of unethical conduct within its business scope, and formulate a plan to prevent unethical conduct, which at least covers the preventive measures for the conducts in paragraph 2 of Article 7 of the Ethical Corporate	∨		(II) The "operation procedures and guidelines of conduct for ethical corporate management" formulated by the Company include the prohibition of unethical conduct, the reporting system, and the punishment for violation of regulations, which are placed on the website of the Company.	

Evaluation items		Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
		Yes	No	Summary description	
	Management Best Practice Principles for TWSE/GTSM Listed Companies?			The Audit Office is designated by the Company as a dedicated unit to handle the revision, implementation, interpretation, consulting services, registration and filing of notification contents and other related operations of these operating procedures, supervise the implementation, list its main responsibilities in detail, and report to the Board of Directors on a regular basis. On October 31, 2023, 2 hours by the audit office to promote the relevant norms of integrity management, and reported on December 20, 2023, the 5th meeting of the 14th Board of Directors, the Company did not violate the integrity of operation report.	
(III)	Does the Company specify the operating procedures, conduct guidelines, punishment and appeal system for violations in the plan for preventing unethical conduct, implement it, and regularly review and amend the aforementioned plan?	V		(III) The Company clearly regulates the unethical conduct plan in the "operation procedures and guidelines of conduct for ethical corporate management", specifies the operation procedures, conduct guidelines, punishment and appeal system for violations, implements them, and	

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			regularly reviews and modifies the above plan, so as to improve the effectiveness of ethical corporate management of the Company.	
II. Implement ethical corporate management (I) Does the Company evaluate the ethical record of the trading partner and specify the ethical conduct terms in the contract signed between the Company and the trading partner?	∨		(I) The Company's "operation procedures and guidelines of conduct for ethical corporate management" - 1. Article 17 stipulates: Before establishing business relations with others, the Company shall first evaluate the legitimacy, ethical corporate management policies and records of unethical conduct of agents, suppliers, customers or other business contacts, so as to ensure that its business operation is fair and transparent and will not ask for, provide or accept bribes. 2. Article 20: When signing a contract with others, the Company shall fully understand the ethical corporate management of the other party, and	No significant difference

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			incorporate compliance with the ethics policy of the Company into the terms of the contract. At least the following matters shall be specified in the contract: (1) After signing the contract, the contracting party shall advocate and explain the honesty code within the Company. (2) When a contracting party violates the principle of ethics, its improper interests or losses may be claimed from the other party and may be deducted from the contract price payable. (3) If the contracting parties are involved in unethical conduct in their commercial activities, the other party may sever the trading relationship between them.	

Evaluation items		Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
		Yes	No	Summary description	
(II)	Does the Company set up a dedicated unit subordinate to the board of directors to promote ethical corporate management, and regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy, plan to prevent unethical conduct and supervision and implementation?	∨		(II) The Company appoints the Audit Office as the dedicated unit to promote the ethical corporate management, and shall regularly report to the board of directors on the ethical corporate management policy, the plan to prevent unethical conduct and the supervision and implementation. On December 20, 2023, the 5th meeting of the 14th Board of Directors, the Company did not violate the integrity of operation report.	
(III)	Does the Company formulate policies to prevent conflicts of interest, provide appropriate presentation channels, and implement them?	∨		(III) 1. The Company's "Rules of Procedure for Board Meetings" clearly requires that Directors who have an interest in the proposals listed by the Board of Directors may state their opinions and answer questions, and shall recuse during discussion and voting. In addition, the work rules of employees clearly require colleagues to report to their immediate supervisor in case of conflict of interest in the execution of	

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			business. 2. The Company's "Integrity Operating Procedures and Code of Conduct" and "Code of Ethics" shall not directly or indirectly provide, promise, demand or accept any improper benefits, or commit other unethical conduct in violation of ethics, lawlessness or fiduciary obligations, in order to obtain or maintain benefits. 3. The internal independent whistleblower mailbox is specified in Article 21 of the "operation procedures and guidelines of conduct for ethical corporate management" vanessaw@crete.com.tw or hotline (02) 26626074 * 303 as the statement channel. There was no internal independent report in 2023.	
(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, and the	∨		(IV) The Company has established internal control system, internal audit system, accounting system and various	

Evaluation items		Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
		Yes	No	Summary description	
	internal audit unit formulates the relevant audit plan according to the evaluation results of the risk of unethical conduct, so as to check the compliance of the plan to prevent unethical conduct, or appoint CPAs to carry out the audit?			management rules, implemented the requirements and regulations of good faith operation in the implementation, conducted internal audit, and regularly and irregularly implemented relevant audit matters, and reported the audit results to the Board of Directors. In 2023, the Company did not appoint CPAs to implement the compliance of the audit and prevention plan against unethical conduct.	
(V)	Does the Company regularly hold internal and external education and training on ethical corporate management?	∨		(V) On October 31, 2023, the Audit Office advocated to strengthen colleagues' awareness and importance of the Company's rules - operation procedures and guidelines of conduct for ethical corporate management, internal major information processing operating procedures, intellectual property management measures, code of ethical corporate management, code of ethical conduct, reward and punishment operating measures, staff working rules, internal control and internal audit, supplier ethical corporate management policy	

Evaluation items	Operation situation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			statement, and called on colleagues to safeguard the honor of the Company, so that colleagues can abide by the law and the rule of law and do nothing illegal.	
III. Operation of the Company's whistleblower system				No significant difference
(I) Does the Company have a specific reporting and reward system, establish a convenient reporting channel, and assign appropriate special personnel to accept the reported object?	∨		(I) The Company specified a specific reporting and reward system in the "Integrity Business Procedures and Conduct Guide", and set up an internal independent report email: vanessaw@crete.com.tw or dedicated line (02) 26626074*303 as the acceptance specialist.	
(II) Whether the Company has established the standard operating procedures for the investigation of complaints, the follow-up measures to be taken after the investigation and the relevant confidentiality mechanism?	∨		(II) Article 21 of the Company's "operation procedure and guidelines of conduct for ethical corporate management" specifies the standard operating procedures for the investigation of complaints, subsequent measures to be taken after the investigation is completed, and relevant confidentiality mechanisms.	
(III) Does the Company take measures to protect the whistleblower from improper treatment due to reporting?	∨		(III) The relevant measures are regulated in Article 21 of the Company's "operation procedure and guidelines of conduct for ethical	

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

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

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

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

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

Title	Name	Study date	Organizer	Course name	Hours of education
General manager	Yi-Tong Shen	2023.10.31	Taiwan Corporate Governance Association	Proxy fights, shareholder activism, and voting results: analyzing director responsibilities through global perspectives.	3
		2023.11.21	Taiwan Corporate Governance Association	Directors' and Supervisors' Legal Liabilities of Public Companies	
Finance manager	Ya-Ping Liu	2023.03.03	TWSE, TPEx	2023 corporate governance evaluation and advocacy meeting (online)	2
		2023.05.18 ~05.19	Accounting Research and Development Foundation	Continuing education course for stock exchange accounting supervisor of issuing securities firms (video) -	6

Title	Name	Study date	Organizer	Course name	Hours of education
				"ESG Sustainability" and the New Trends and Thinking in Corporate Governance and Crisis Management - Risk Thinking and Resilient Enterprises	
Audit agent	Yi-Ping Liao	2023.06.29	The Institute of Internal Auditors-Chinese Taiwan	Production cycle practice and audit focus	6
		2023.07.18	The Institute of Internal Auditors-Chinese Taiwan	Labor law knowledge that auditors should have-from recruitment to resignation	6
Corporate Governance Officer	Ya-Ping Liu	2023.06.09	Taiwan Corporate Governance Association	Promoting Sustainable Development through Risk Management - Guidelines for Risk Management Practices for TWSE/TPEx-listed Companies - Online Course	3
		2023.07.18	Taiwan Corporate Governance Association	Practice of "Sustainability Report" under Corporate Governance 3.0 Policy - Online Course	3
		2023.08.09	Taipei Exchange	Internal Shareholder Equity Promotion Seminar for TWSE/TPEx-listed Companies	3
		2023.10.13	Securities and Futures Institute	Carbon rights trading mechanism and enterprise management application	3
		2023.10.20	Taiwan Corporate Governance Association	The Distance Between Climate Change and Us	3
		2023.11.17	Taiwan Corporate Governance Association	Corporate Governance Supervisor Compliance Work Practice	3

(IX) Implementation status of internal control system:

1. Internal control statement

Mildef Crete Inc.

Statement of internal control system

Date: March 13, 2024

Based on the results of self-evaluation, the Company's internal control system in 2023 is hereby declared as follows:

I. The Company confirms that it is the responsibility of the Board of Directors and managers of the Company to establish, implement and maintain the internal control system, and the Company has established this system. Its purpose is to provide reasonable assurance for the achievement of the objectives of operation effect and efficiency (including profit, performance and ensuring asset safety), reliability, timeliness and transparency of reporting, and compliance with relevant norms and relevant laws and regulations.

II. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable guarantee for the achievement of the above three objectives. Moreover, due to the change of environment and situation, the effectiveness of internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once the deficiency is identified, the Company will take corrective action.

III. The Company judges the effectiveness of the design and implementation of the internal control system in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The judgment items of the internal control system adopted in the "Regulations" are to divide the internal control system into five constituent elements according to the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervise the operation. Each component includes several items. For the above items, please refer to the provisions of the "Regulations".

IV. The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.

V. Based on the evaluation results of the preceding paragraph, the Company believes that the internal control system (including the supervision and management of subsidiaries) in Note 2 of the Company on December 31, 2023, including the understanding of the effect of operation and the degree of achievement of efficiency objectives, the reliability, timeliness, transparency of reports, compliance with relevant norms and relevant laws and regulations, and the design and implementation of relevant internal control systems are effective, and it can reasonably ensure the achievement of the above objectives.

VI. This statement will be the main content of the Company's annual report and prospectus and will be made public. If the contents disclosed above are false, concealed and there are other illegal matters, it will involve the legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This statement was approved by the Board of Directors of the Company on March 13, 2024. Among the seven Directors present, no one held objections, and the remaining agreed with the contents of this statement as stated.

Mildef Crete Inc.
Chairman: Yi-Tong Shen

General manager: Yi-Tong Shen

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed:
The Company did not appoint CPAs to review the internal control system in 2023.

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

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

1. Important resolutions of the shareholders' meeting on June 14, 2023

<table>
<tr><th>Motion items</th><th>Important resolutions</th><th>Implementation</th></tr>
<tr><td>Recognition case 1</td><td>The Company's 2022 business report and financial statements
Number of voting rights of shareholders present during voting: 37,125,623
<table><tr><th>Voting results</th><th>Percentage of voting rights</th></tr><tr><td>37,048,283 approval votes (including 2,020,967 e-votes)</td><td>99.79%</td></tr><tr><td>29,942 disapproval votes (including 29,942 e-votes)</td><td>0.08%</td></tr><tr><td>0 invalid votes</td><td>0.00%</td></tr><tr><td>47,398 abstention votes/no votes (including 47,398 e-votes)</td><td>0.12%</td></tr></table>Reached the number of approval votes stated in the laws and regulations; hence, the case is approved as written.</td><td>According to the content of the resolution.</td></tr>
<tr><td>Recognition case 2</td><td>2022 earning distribution
Number of voting rights of shareholders present during voting: 37,125,623
<table><tr><th>Voting results</th><th>Percentage of voting rights</th></tr><tr><td>37,048,268 approval votes (including 2,020,952 e-votes)</td><td>99.79%</td></tr><tr><td>29,958 disapproval votes (including 29,958 e-votes)</td><td>0.08%</td></tr><tr><td>0 invalid votes</td><td>0.00%</td></tr><tr><td>47,397 abstention votes/no votes (including 47,397 e-votes)</td><td>0.12%</td></tr></table>Reached the number of approval votes stated in the laws and</td><td>According to the content of the resolution. The chairman set July 13, 2023, as the ex-dividend base date, and all distributions were completed on August 3, 2023 (cash dividend of NT$211,268 thousand, and</td></tr>
</table>

<table>
<tr><th>Motion items</th><th>Important resolutions</th><th>Implementation</th></tr>
<tr><td></td><td>regulations; hence, the case is approved as written.</td><td>distribution of NT$3.6 per share)</td></tr>
<tr><td>Discussion case 1</td><td>Amendment to the "Articles of Incorporation"
Number of voting rights of shareholders present during voting: 37,125,623
<table>
<tr><th>Voting results</th><th>Percentage of voting rights</th></tr>
<tr><td>36,883,242 approval votes (including 1,855,926 e-votes)</td><td>99.34%</td></tr>
<tr><td>195,010 disapproval votes (including 195,010 e-votes)</td><td>0.52%</td></tr>
<tr><td>0 invalid votes</td><td>0.00%</td></tr>
<tr><td>47,371 abstention votes/no votes (including 47,371 e-votes)</td><td>0.12%</td></tr>
</table>
Reached the number of approval votes stated in the laws and regulations; hence, the case is approved as written.</td><td>It shall be handled according to the amendment</td></tr>
<tr><td>Discussion case 2</td><td>Amendment to the "Rules of Procedure of the Shareholders' Meeting"
Number of voting rights of shareholders present during voting: 37,125,623
<table>
<tr><th>Voting results</th><th>Percentage of voting rights</th></tr>
<tr><td>37,048,232 approval votes (including 2,020,916 e-votes)</td><td>99.79%</td></tr>
<tr><td>30,018 disapproval votes (including 30,018 e-votes)</td><td>0.08%</td></tr>
<tr><td>0 invalid votes</td><td>0.00%</td></tr>
<tr><td>47,373 abstention votes/no votes (including 47,373 e-votes)</td><td>0.12%</td></tr>
</table>
Reached the number of approval votes stated in the laws and regulations; hence, the case is approved as written.</td><td>It shall be handled according to the amendment</td></tr>
<tr><td>Election case 1</td><td>Proposal for the Re-election of Directors
Election Results: List of Elected Directors are as follows
<table>
<tr><th>Title</th><th>Name</th><th>Number of Votes</th></tr>
<tr><td>Director</td><td>Yi-Tong Shen</td><td>39,976,559</td></tr>
<tr><td>Director</td><td>Ming-Xiao Lu</td><td>38,116,379</td></tr>
<tr><td>Director</td><td>Representative of Nankang Rubber Tire: Jun-Ying Lin</td><td>37,607,769</td></tr>
<tr><td>Director</td><td>Wen-Chun Cai</td><td>36,617,354</td></tr>
<tr><td>Independent</td><td>Jun-Ming Wang</td><td>35,665,535</td></tr>
</table></td><td></td></tr>
</table>

Motion items	Important resolutions			Implementation
	director			
	Independent director	Xiao-Long Feng	35,301,576	
	Independent director	Yong-Cheng Chun	35,286,043	

2. Important resolutions of the Board of Directors

Date	Important resolutions	Implementation
The 17th session of the 13th term - 2023.03.23	1. 2022 "effectiveness assessment of internal control system" and "statement of internal control system"	The case was passed without objection, and the statement of internal control system was uploaded to the MOPS on March 24, 2023
	2. Subsidiary Planning for "Greenhouse Gas Inventory and Verification"	This case is passed without objection
	3. 2022 directors' and employees' remuneration distribution plan	No objection to this case was passed but must be reported to the 2023 annual shareholders' meeting
	4. 2022 annual business report and financial statement audit report	This case is passed without objection but it still needs to be resolved by the 2023 annual shareholders' meeting
	5. 2022 earning distribution	There is no objection in this case. The allotment of NT$3.6 per share is approved as per the proposal, but it must be resolved by the 2023 annual shareholders' meeting
	6. 2023 annual budget and operation plan	The case was passed without objection and the budget implementation was discussed at the end of each quarter
	7. The Australian subsidiary prohibits providing funds to others, endorsements or guarantees, and derivatives transactions.	This case is passed without objection
	8. Amendment to the "Articles of Incorporation"	This case is passed without objection but it still needs to be resolved by the 2023 annual shareholders' meeting
	9. Amendment to the "Rules of Procedure of the Shareholders' Meeting"	This case is passed without objection but it still needs to be resolved by the 2023 annual shareholders' meeting
	10. Proposal for the Re-election of Directors	This case is passed without objection but it still needs to be re-elected by the 2023 annual shareholders' meeting
	11. Nomination of Candidates for Directors (including Independent Directors) in 2023	This case is passed without objection but it still needs to be re-elected by the 2023 annual shareholders' meeting. On April 18, 2023, the list of candidates was uploaded to the MOPS
	12. Proposal on matters related	The proposal was approved without

Date	Important resolutions	Implementation
	to the convening of the 2023 Shareholders' Meeting	objection and scheduled for a meeting on June 14, 2023.
	13. Performance evaluation of directors and managers in 2022	The proposal has been approved without any objections, as passed by the Remuneration Committee.
	14. 2022 directors' remuneration distribution plan	The proposal has been approved without any objections, as passed by the Remuneration Committee, with the distribution date set for August 8, 2023.
	15. Remuneration distribution plan for managers in 2022	The proposal has been approved without any objections, as passed by the Remuneration Committee, with the distribution date set for August 8, 2023.
	16. 2023 Salary Adjustment Plan	This case is passed without objection
	17. Manager's salary adjustment evaluation in 2023	Except that Director Yi-Tong Shen recused from voting because he was also the general manager, the other Directors present had no objection and passed the resolution
The 18th session of the 13th term - 2023.05.03	1. First Quarter 2023 Financial Statements Report	This case is passed without objection
	2. Report on the achievement of the budget for the first quarter of 2023	This case is passed without objection
	3. Proposal for Establishment the Chief Information Security Officer	This case is passed without objection and appointed - Dedicated Head of Information Security: Executive Vice President Yong-Xiang Zhou Information Security Officer: Mr. I-Hua Chien, Senior Engineer, Information Office
	4. Proposal for the Establishment of a Corporate Governance Supervisor	This case is passed without objection and appointed Financial Manager Ya-Ping Liu
The 1st session of the 14th term - 2023.06.14	1. Appointment of Chairman	This case is passed without objection and re-elected Yi-Tong Shen **as** the Chairman
	2. Appointment of Members to the Fifth Remuneration Committee	The case was approved without objection by the Independent Directors, who served **from** June 14, 2023 to June 13, 2026.
The 2nd session of the 14th term - 2023.06.28	Setting the "General Principles of Pre-Approval Non-assurance Service Policy"	This case is passed without objection
The 3rd session of the 14th term - 2023.08.02	Second Quarter 2023 Financial Statements Report	This case is passed without objection
	Report on the achievement of the budget for the second quarter of 2023	This case is passed without objection
	Amendment to the Internal	This case is passed without objection

Date	Important resolutions	Implementation
	Control Content for "Production Cycle"	
	Amendment to the Internal Control Content for "R&D Cycle"	This case is passed without objection
The 4th session of the 14th term - 2023.11.01	Third Quarter 2023 Financial Statements Report	This case is passed without objection
	Report on the achievement of the budget for the third quarter of 2023	This case is passed without objection
	Define the Proposal for "Cyber Security Management Measures"	This case is passed without objection
The 5th session of the 14th term - 2023.12.20	Approval of annual audit plan in 2024	This case is passed without objection
	The evaluation results of the independence of the CPAs for 2024	This case is passed without objection
	Proposal for Standards and Structure of Board of Directors and Manager Remuneration Policy System	This case is passed without objection
	Policy of Performance Evaluation of Directors and Managers	This case is passed without objection
	Evaluation of Director Remuneration and Business Execution Expenses	This case is passed without objection
	Manager Salary Project and Remuneration Evaluation	This case is passed without objection
	Manager's Year-end Bonus and Festival Gift Distribution	This case is passed without objection
	Review of directors' and managers' remuneration for 2023	This case is passed without objection

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

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

1. Resignation and dismissal of relevant personnel of the company: None.
2. On May 3, 2023, the 18th session of the 13th Board of Directors passed the setting up of the head of corporate governance, appointed by Ya-Ping Liu, Finance Manager.

3. The Company's personnel related to financial information transparency have obtained relevant certificates and licenses specified by the competent authority:
   (1) The accounting supervisor of the Company has obtained the professional certification of the accounting supervisor of public companies organized by the Accounting Research and Development Foundation and is qualified for continuous learning.
   (2) Two auditors of the Company have obtained the qualified test certificate issued by the Securities and Futures Institute and passed continuous education.

IV. CPAs fee

Unit: NT$1,000

Name of CPAs firm	Name of CPA	CPA audit period	Audit fees	Non-audit fees	Total	Remark
KPMG	Ching-Wen Kao	2023	1,959	429	2,388	Non audit-fees are- 1. Tax compliance audit NT$396 thousand 2. Review the salary information of the Company's full-time employees who did not hold the position of supervisor in 2023 as NT$33 thousand
	Mei-Yan Chen	2023				

(I) Where the non-audit fees paid to the CPAs, the firm to which the CPAs belong and its affiliated enterprises account for more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed: None.

(II) If the accounting firm is changed and the audit fee paid in the year of change is lower than that in the year before the change, the amount, proportion and reasons for the reduction of audit fee shall be disclosed: None.

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

V. Change of CPAs: None.

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

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

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

Unit: shares

Title	Name	2023		Year ended March 31, 2024	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
Chairman / General Manager	Yi-Tong Shen	0	0	0	0
Director	Nankang Rubber Tire	0	0	0	0
	Representative: Jun-Ying Lin	0	0	0	0
Director	Ming-Xiao Lu	0	0	0	0
Independent director	Yong-Cheng Chun	0	0	0	0
Independent director	Jun-Ming Wang	0	0	0	0
Independent director	Xiao-Long Feng	0	0	0	0
Director	Wen-Chun Cai	0	0	0	0
General manager of Channel Business Department	Jia-Xing Hu	0	0	0	0
Executive deputy general manager	Yong-Xiang Zhou	0	0	0	0
Deputy general manager of R&D Division of System Manufacturing Business Department	Wei Liang	0	0	0	0
AVP of Planning Department of Channel Business Department	Xiao-Ming Lin	0	0	0	0
AVP of north district business of Channel Business Department	Shi-Zhe Lin	0	0	0	0
AVP of south district business of Channel Business Department	Xin-Xiong Huang	0	0	0	0
AVP of Manufacturing Division of System Manufacturing Business Department	Quan-Xiong Li	0	0	0	0

Title	Name	2023		Year ended March 31, 2024	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares
AVP of Business Division of System Manufacturing Business Department	Sheng-Xian Wang	0	0	0	0
Financial manager of System Manufacturing Business Department	Ya-Ping Liu	0	0	0	0

Note: Manufacturing Division AVP Mr. Quan-Xiong Li submitted a retirement application on February 29, 2024.

(II) Equity transfer information:

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

(III) Equity pledge: None

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

April 14, 2024; Unit: shares; %

Name	Self shares held		Shares held by spouse and minor children		Total shares held in the name of others		AMONG TEN LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Yi-Tong Shen	3,126,244	5.33	0	0	0	0	Fang Shen / An Shen	Relatives within the second degree of kinship	None
Fang Shen	2,205,543	3.76	0	0	0	0	Yi-Tong Shen / An Shen	Relatives within the second degree of kinship	None

Name	Self shares held		Shares held by spouse and minor children		Total shares held in the name of others		AMONG TEN LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Nankang Rubber Tire	2,150,829	3.67	N/A	N/A	N/A	N/A	None	None	None
Responsible person: Lin-Liang Guo	0	0	0	0	0	0	None	None	None
An Shen	1,547,147	2.63	0	0	0	0	Yi-Tong Shen / Fang Shen	Relatives within the second degree of kinship	None
Investment Account of Morgan Stanley & Co. International PLC in the trusteeship of HSBC (Taiwan)	1,185,000	2.02	N/A	N/A	N/A	N/A	None	None	None
Ming-Xiao Lu	945,563	1.61	0	0	0	0	None	None	None
Hui-Nan Lin	733,388	1.25	0	0	0	0	None	None	None
Special investment account of Rhoda Computer under custody by Taishin Bank	714,071	1.22	N/A	N/A	N/A	N/A	None	None	None
SBL/PB Investment Account in the trusteeship of Citibank	647,000	1.10	N/A	N/A	N/A	N/A	None	None	None
Shenyu Investment Co., Ltd	550,000	0.94	N/A	N/A	N/A	N/A	None	None	None
Responsible person: Mei-He Liu	0	0	0	0	0	0	None	None	None

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

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

April 30, 2024 unit: share; %

Reinvestment business	Investment of the Company		Investment of Directors, supervisors, managers and enterprises directly or indirectly controlled		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Flexbasis Technology	2,086,000	56.2%	865,000	23.4	2,945,000	79.6%

Note: The long-term investment of the Company using the equity method.

Chapter 4 Fund raising

I. Capital and share

(I) Source of capital

◆ Source of capital

Year Month	Issue price	Approved share capital		Paid in share capital		Remark		
		Number of shares (thousands)	Amount (NT$1,000)	Number of shares (thousands)	Amount (NT$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
1990.3	NT$10	6,400	64,000	1,600	16,000	Establishment of share capital	None	Note 1
1990.6	NT$10	6,400	64,000	2,600	26,000	Cash capital increase of NT$10,000 thousand	None	Note 2
1990.11	NT$10	6,400	64,000	3,000	30,000	Cash capital increase of NT$4,000 thousand	None	Note 3
1991.3	NT$10	6,400	64,000	4,494.2	44,942	Cash capital increase of NT$14,942 thousand	None	Note 4
1991.12	NT$10	6,960	69,600	6,960	69,600	Cash capital increase of NT$24,658 thousand	None	Note 5
1993.11	NT$10	7,160	71,600	7,160	71,600	Cash capital increase of NT$2,000 thousand	None	Note 6
1997.3	NT$10	19,800	198,000	19,800	198,000	Cash capital increase of NT$126,400 thousand	None	Note 7
2000.9	NT$10	19,800	198,000	11,800	118,000	Capital Reduction of NT$80,000 thousand	None	Note 8
2000.9	NT$10	19,800	198,000	16,800	168,000	Cash capital increase of NT$50,000 thousand	None	Note 9
2002.5	NT$10	19,800	198,000	18,800	188,000	Cash capital increase of NT$20,000 thousand	None	Note 10
2002.7	NT$10	22,600	226,000	18,800	188,000	-	None	Note 11
2003.12	NT$10	28,000	280,000	21,620	216,200	Capitalization of retained earnings of NT$28,200 thousand	None	Note 12

Year Month	Issue price	Approved share capital		Paid in share capital		Remark		
		Number of shares (thousands)	Amount (NT$1,000)	Number of shares (thousands)	Amount (NT$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
2004.8	NT$10	39,000	390,000	25,281	252,810	Capitalization of retained earnings of NT$36,610 thousand	None	Note 13
2005.4	NT$10	39,000	390,000	25,684.55	256,845.5	Conversion of warrants of NT$4,035,500	None	Note 14
2005.7	NT$10	39,000	390,000	25,787.45	257,874.5	Conversion of warrants of NT$1,029 thousand	None	Note 15
2005.8	NT$10	39,000	390,000	28,776.195	287,761.95	Capitalization of retained earnings of NT$29,887,450	None	Note 16
2006.5	NT$10	39,000	390,000	29,450.495	294,504.95	Conversion of warrants of NT$6,743 thousand	None	Note 17
2006.7	NT$10	39,000	390,000	29,693.795	296,937.95	Conversion of warrants of NT$2,433 thousand	None	Note 18
2006.9	NT$10	39,000	390,000	33,085.845	330,858.45	Capitalization of retained earnings of NT$33,920,500	None	Note 19
2006.10	NT$10	39,000	390,000	33,212.545	332,125.45	Conversion of warrants of NT$1,267 thousand	None	Note 20
2007.4	NT$10	39,000	390,000	33,815.045	338,150.45	Conversion of warrants of NT$6,025 thousand	None	Note 21
2007.7	NT$10	39,000	390,000	33,873.595	338,735.95	Conversion of warrants of NT$585,500	None	Note 22
2007.9	NT$10	50,000	500,000	37,703.455	377,034.55	Capitalization of retained earnings of NT$38,298,600	None	Note 23
2008.4	NT$10	50,000	500,000	37,916.605	379,166.05	Conversion of warrants of NT$2,131,500	None	Note 24
2008.9	NT$10	50,000	500,000	42,229.666	422,296.66	Capitalization of retained earnings of NT$43,130,610	None	Note 25
2009.4	NT$10	50,000	500,000	42,482.066	424,820.66	Conversion of warrants of NT$2,524 thousand	None	Note 26

Year Month	Issue price	Approved share capital		Paid in share capital		Remark		
		Number of shares (thousands)	Amount (NT$1,000)	Number of shares (thousands)	Amount (NT$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
2009.8	NT$10	50,000	500,000	44,870.821	448,708.21	Capitalization of retained earnings of NT$23,887,550	None	Note 27
2010.8	NT$10	60,000	600,000	47,870.275	478,702.75	Capitalization of retained earnings of NT$29,994,540	None	Note 28
2011.8	NT$10	70,000	700,000	55,401.446	554,014.46	Capitalization of retained earnings of NT$75,311,710	None	Note 29
2012.8	NT$10	70,000	700,000	58,685.547	586,855.47	Capitalization of retained earnings of NT$32,841,010	None	Note 30

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 15: Approval No.: Jing-Shou-Zhong-Zi No. 09432548080, July 27, 2005

Note 16: Approval No.: Jing-Shou-Zhong-Zi No. 09432733200, August 26, 2005

Note 17: Approval No.: Jing-Shou-Zhong-Zi No. 09532107700, May 1, 2006

Note 18: Approval No.: Jing-Shou-Zhong-Zi No. 09532526800, July 20, 2006

Note 19: Approval No.: Jing-Shou-Zhong-Zi No. 09532851510, September 21, 2006

Note 20: Approval No.: Jing-Shou-Zhong-Zi No. 09533061620, October 30, 2006

Note 21: Approval No.: Jing-Shou-Zhong-Zi No. 09631992560, April 18, 2007

Note 22: Approval No.: Jing-Shou-Zhong-Zi No. 09632503720, July 26, 2007

Note 23: Approval No.: Jing-Shou-Zhong-Zi No. 09632693940, September 3, 2007

Note 24: Approval No.: Jing-Shou-Zhong-Zi No. 09732109430 April 21, 2008

Note 25: Approval No.: Jing-Shou-Zhong-Zi No. 09732960280, September 1, 2008

Note 26: Approval No.: Jing-Shou-Zhong-Zi No. 09832110760, April 20, 2009

Note 27: Approval No.: Jing-Shou-Zhong-Zi No. 09832884100, August 19, 2009

Note 28: Approval No.: Bei-Fu-Jing-Deng-Zi No. 0993150767, August 27, 2010

Note 29: Approval No.: Jing-Shou-Shang-Zi No. 10001198400, August 25, 2011

Note 30: Approval No.: Jing-Shou-Shang-Zi No. 10101165430, August 14, 2012

◆ Type of shares

Unit: share

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

◆ Information about the general reporting system: N/A

(II) Shareholder structure

April 14, 2024

Shareholder structure / Quantity	Government agency	Financial institutions	Other legal entities	Foreign institutions and foreigners	Individual	Total
Number of people	0	0	214	83	35,275	35,572
Number of shares held	0	0	4,368,480	6,341,845	47,975,222	58,685,547
Shareholding ratio	0	0	7.44	10.81	81.75	100.00

(III) Equity dispersion

April 14, 2024

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	27,631	499,608	0.85
1,000 to 5,000	6,570	12,226,235	20.83
5,001 to 10,000	725	5,610,576	9.56
10,001 to 15,000	198	2,487,742	4.24
15,001 to 20,000	136	2,489,890	4.24
20,001 to 30,000	108	2,717,550	4.63
30,001 to 40,000	44	1,538,992	2.62
40,001 to 50,000	38	1,752,726	2.99
50,001 to 100,000	57	3,894,787	6.64
100,001 to 200,000	34	4,922,965	8.39
200,001 to 400,000	16	4,313,911	7.35
400,001 to 600,000	6	2,981,780	5.08
600,001 to 800,000	3	2,094,459	3.57
800,001 to 1,000,000	1	945,563	1.61
1,000,001 or more	5	10,208,763	17.40
Total	35,572	58,685,547	100.00

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

April 14, 2024

Shares / Main shareholder name	Number of shares held	Shareholding ratio
Yi-Tong Shen	3,126,244	5.33
Fang Shen	2,205,543	3.76
Nankang Rubber Tire	2,150,829	3.67
An Shen	1,541,147	2.63
Investment Account of Morgan Stanley & Co. International PLC in the trusteeship of HSBC (Taiwan)	1,185,000	2.02
Ming-Xiao Lu	945,563	1.61
Hui-Nan Lin	733,388	1.25
Special investment account of Rhoda Computer under custody by Taishin Bank	714,071	1.22
SBL/PB Investment Account in the trusteeship of Citibank	647,000	1.10
Shenyu Investment Co., Ltd	550,000	0.94

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

Unit: NT$; thousand shares

Item / Year			2023	2022	As of March 31 of current year
Price per share	Highest		100.5	63.00	92.7
	Lowest		43.7	38.50	77.9
	Average		75.25	52.86	86.4
Net worth per share (Note 2)	Before distribution		43.23	41.12	47.85
	After distribution		37.83	37.52	-
EPS	Weighted average number of shares		58,685	58,685	58,685
	EPS		7.85	3.89	2.66
Dividend per share	Cash dividend		5.4	3.6	0
	Free	Stock dividend from retained earnings	0	0	0
	allotment	Stock dividend from capital reserve	0	0	0
	Accumulated unpaid dividends		0	0	0

Item \ Year		2023	2022	As of March 31 of current year
Return on investment analysis	P/E ratio (Note 3)	9.59	13.59	0
	Price-to-dividend ratio (Note 4)	13.94	14.68	0
	Cash dividend yield (%) (Note 5)	7.18	6.81	0

Note 1: In the statement approved by the accountant as at March 31, 2024
Note 2: The number of shares issued at the end of the year shall prevail and shall be filled in according to the resolution of the Board of Directors or the shareholders' meeting of the following year.
Note 3: Price-to-earnings ratio = average closing price per share for the year/earnings per share.
Note 4: Price-to-dividend ratio = average closing price per share for the year / cash dividend per share.
Note 5: Cash dividend yield = cash dividend per share / average closing price per share for the year.

(VI) Company dividend policy and implementation status

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

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

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

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

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

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

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

2. Dividend Distribution proposed at the shareholders' meeting

The 2023 earnings distribution plan was formulated by the Board of Directors on March 13, 2024. It is proposed to distribute a cash dividend of NT$5.4 per share, totaling NT$316,902 thousand, with an estimated distribution ratio of 68.79%.

After the resolution of the shareholders' meeting on June 12, 2024, is passed, the chairman is authorized to set another dividend base date and distribution date.

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

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

There is no proposed dividend distribution at the Company's 2024 shareholders' meeting, so the impact of this dividend distribution on the Company's operating performance, earnings per share and return on shareholders' equity is not applicable.

(VIII) Remuneration of employees, Directors and supervisors

1. The percentages or ranges with respect to employee, Director, and supervisor compensation, as set forth in the Company's Articles of Incorporation:
   According to Article 20 of the Company's articles of association, if there is profit in the year, 5% to 10% should be allocated as employee remuneration and no more than 3% as Director remuneration. However, when the Company still has accumulated losses, it should reserve the amount in advance to make up for it. The aforementioned employees are paid in stock or cash, including employees of subordinate companies who meet certain criteria.
2. The basis for the estimation of the amount of remuneration of employees, Directors and supervisors, the basis for the calculation of the number of shares of employee remuneration distributed by shares, and the accounting treatment of the actual distribution amount if there is any difference from the estimation:
   (1) Basis of current estimation: The Company takes the pre-tax net profit before deducting the remuneration of employees and Directors multiplied by the distribution percentage of remuneration of employees and Directors as stipulated in the articles of association.
   (2) If the employee's remuneration is paid in shares, the number of shares allotted shall be calculated based on the closing price of common shares on the day before the Board of Directors. However, there was no allotment of shares in the remuneration of employees and Directors of the Company in the current period.
   (3) If there is a difference between the actual distribution amount and the estimated amount, it shall be treated according to the change of accounting estimation, and the difference shall be recognized as the profit and loss of the current period.
3. The Board of Directors approved the distribution of remuneration
   (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:
   The distribution of employee remuneration and Director remuneration of

the Company in 2023 was decided by the Board of Directors on March 13, 2024, as follows:

A. A total of NT$61,896 thousand in cash remuneration was allocated to employees

B. A cash remuneration of NT$12,634 thousand was allotted to Directors.

C. There is no difference between the amount of employees' cash remuneration and directors' remuneration resolved by the board of directors and the annual estimated amount of recognized expenses.

(2) The amount of employee remuneration distributed by shares and its share in the net profit after tax and employee remuneration of parent only or individual financial reports in the current period

The Board of Directors passed a resolution this year that there was no allotment of employee stock compensation, thereby this is not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The Company's employee dividends and Directors' remuneration in 2022 are as follows:

Item	Resolution of the Board of Directors	Actual distribution (Note)		
	Amount (NT$)	Amount (NT$)	Number of shares upon conversion	Dilution ratio of equity (%)
Employee remuneration - cash	31,607,819	31,607,819	0	0
Directors' remuneration	6,334,761	6,334,761	0	0
Total	37,942,580	37,942,580	0	0

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

(IX) The Company bought back its shares: None.

II. Handling of corporate bonds: None.

III. Handling of preferred shares: None.

IV. Handling of overseas depository receipts: None.

V. Handling of employee stock option certificates

The employee stock option certificates issued by the Company have all expired and were executed in December 2010. No employee stock warrants were issued for the year 2021 and as of the publication date of this year's report.

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

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

VI. Handling of new shares with restricted employee rights:

In 2023 and up to the printing date of this year's annual report, the company did not issue new shares restricting employees' rights.

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

In 2023 and up to the printing date of this year's annual report, the Company has not merged or acquired shares of other companies to issue new shares.

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

(I) Plan content: None.

(II) Implementation status: None.

Chapter 5 Operation overview

I. Business content

(I) Scope of business

◆ Main contents of business:

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

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

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

◆ Operating proportion:

Unit: NT$1,000

Revenue and proportion / Item	2023	
	Operating revenue	Operating proportion (%)
Commercial notebook computer	1,432,326	47.92
Rugged notebook computer	1,494,277	49.99
Maintenance services and others - Commercial	62,471	2.09
Total	2,989,074	100.00

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

◆ Current product (service) items of the Company

◎ Sales of commercial notebook computers and their peripheral products

◎ Rugged notebook computer manufacturing and sales

◎ Manufacturing and sales of rugged vehicle mounted (including flat) computers

◎ Rugged keyboard manufacturing and sales

◎ Rugged tablet computer manufacturing and sales
◎ Docking station
◎ Battery charging base
◎ Vehicle power supply
◎ LCD series
◎ Rugged handheld computer manufacturing and sales

◆ New products (services) planned to be developed
◎ Rugged laptop.
◎ Rugged tablet.
◎ Rugged handheld computer

(II) Industry Overview

◆ Current situation and development of industry
◎ Rugged notebook computer

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

It is characterized by ruggedness, high reliability and mobility

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

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

It is worth mentioning that with the maturity of network and cloud technology, data can be processed directly in the cloud through the network. As users are familiar with the use of mobile phones and other devices, the threshold of users is reduced. Industries such as retail, manufacturing, transportation and logistics are more willing to adopt rugged handheld computers and tablets. It is expected that the adoption rate of rugged tablets and handheld computers is expected to increase.

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

◎ Distribution of computer and its peripheral products

According to the latest estimate from TrendForce, global notebook shipments are projected to reach 167 million units in 2023, representing a 10.2% decrease compared to the previous year. With the alleviation of inventory pressure, it is anticipated that the global notebook market will return to a robust supply-demand cycle by 2024. The primary drivers of growth will be the gradual release of replacement demand in the commercial market and the ongoing expansion of specific niche markets, such as Chromebook and gaming laptops. The overall shipment volume is projected to reach 172 million units, representing a year-on-year growth of 3.2%.

TrendForce states that AI PCs are part of the emerging niche market and currently lack a clear definition. However, they can generally be understood from the perspectives of software and hardware. On the software front, Microsoft's AI assistant Copilot, which is based on the GPT large language model (LLM), was officially released in November. It is compatible with Windows 11 and requires a monthly subscription fee of US$30 per user. The service provides AI processing capabilities for Microsoft 365 enterprise users and heavily relies on cloud server storage and response.

CPU manufacturers are currently prioritizing the AI processing capabilities of terminal devices. Their goal is to achieve faster (response in time, lower latency), increased security (through local storage), and cheaper (reduced dependence on servers). Whether it's Intel NPU, AMD Ryzen AI, Apple Neural Engine, or Qualcomm NPU, all of them utilize neural acceleration engines to enable AI (Client AI) applications on terminal devices. These applications no longer depend on cloud operations and can perform offline AI inference for production needs. After the launch of the new processor in 2024, it will lay the foundation for the development of efficient computing AI PCs.

TrendForce believes that the initial development of AI PC-related software and hardware will primarily target high-end business users and content creators. This group has a strong demand for utilizing AI processing capabilities to enhance productivity efficiency and can immediately reap the benefits of related applications, positioning them as early adopters. The emergence of AI PCs may not necessarily stimulate additional demand for PC procurement. Most of it will be part of the business replacement process in 2024, gradually transitioning to AI

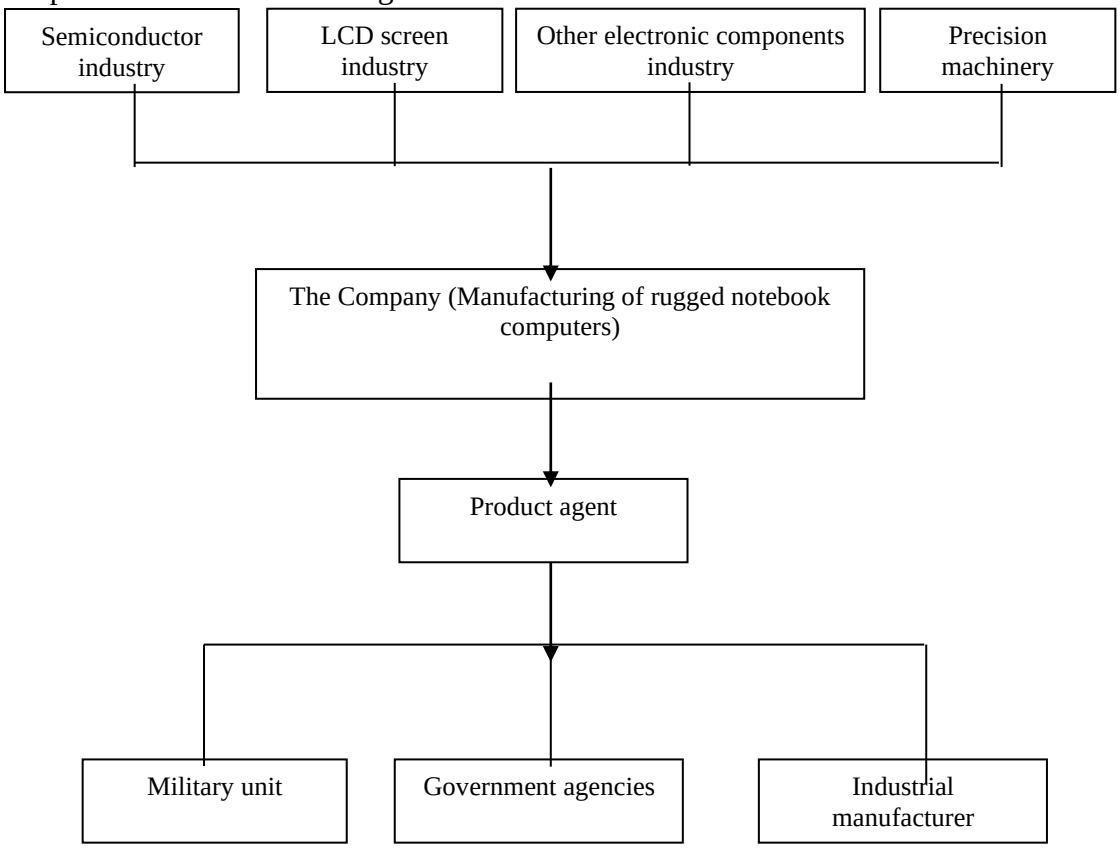
PC devices.

For consumers, the current cloud AI applications available on PC devices can meet their daily life and entertainment needs. However, without a groundbreaking AI application in the near future, it will be challenging to rapidly promote consumer-grade AI PCs by offering an AI upgrade experience. The high-interest rate environment brought about by high inflation has resulted in the emergence of many zombie companies. These companies face operational difficulties due to the financial pressure of securing loans. For the average consumer, it is quite challenging to purchase an expensive but non-essential computer when disposable income is decreasing. However, in the long run, as the potential for developing a wider range of AI tools increases and the cost barriers continue to decrease, we can still anticipate a rise in the popularity of consumer AI PCs.

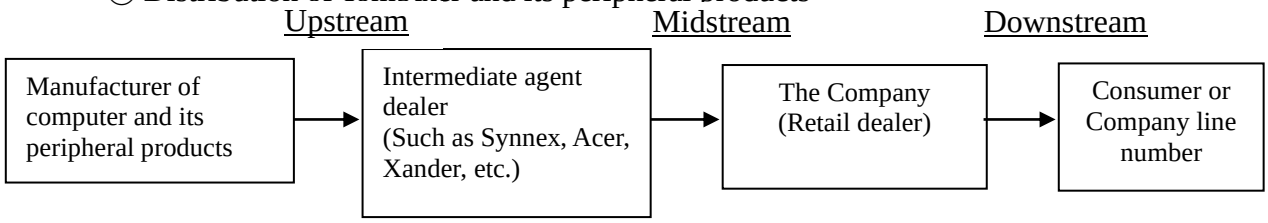
◆ Relevance of upstream, middle and downstream industries

◎ Rugged notebook computer

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



◎ Distribution of computer and its peripheral products



◆ Product development trend

◎ Rugged notebook computer

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

Rugged computer vertical applications and content

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

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

Looking at the application and content of the rugged computer market, it can be seen that the rugged computer is mostly used in harsh environments, which can withstand users to travel back and forth in different places and use in various scenarios. While a typical consumer tablet or notebook can meet some

applications, rugged PC failure rates are about 60% lower than consumer products, with high reliability and durability, reducing total cost of ownership (TCO).

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

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

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

◎ Distribution of computer and its peripheral products

According to TrendForce, the global demand for laptops is expected to weaken in 2023 due to high inflation. The projected shipment volume is only 166 million units, which represents a 10.8% decrease compared to the previous year. However, the decline is less severe than in 2022.

In the first half of 2024, as the inventory of major laptop manufacturers gradually decreases and with favorable conditions of slowing inflation, the predicted index of interest rate cuts in the United States has risen. If the market expects the Federal Reserve to start cutting interest rates as early as the first half of this year, it will help reduce financing and borrowing costs for businesses and increase liquidity. Additionally, the generation change of the Microsoft operating system, it will promote system security upgrades for enterprise users, which is expected to drive the demand for laptop replacements. Therefore, TrendForce expects that the demand for the laptop market will improve quarter by quarter in 2024, and the global notebook computer market will show moderate growth with a year-on-year shipment growth rate of approximately 3.6%, reaching 172 million units.

In addition, the issue of AI PCs took center stage at CES 2024, with leading chip manufacturers like Intel and AMD partnering with laptop brands to introduce a range of new products featuring integrated AI acceleration engines. Including the Neural Processing Unit (NPU) in personal computers eliminates the sole reliance on the CPU or GPU for performance. With AI capabilities, they can accurately calculate workloads and distribute power consumption, while also utilizing the

Copilot shortcut of the Microsoft Windows 11 operating system. This ensures an efficient and energy-saving user experience for consumers.

TrendForce believes that the target audience for the first generation of AI PCs should focus on high-end business needs and content creators. With significant improvements in chip performance and increased specifications for related components such as memory, battery, and cooling, the retail price naturally increases. This year, many CES manufacturers have prioritized hardware competition. While consumers are willing to pay a premium of over 50% for an AI PC compared to a regular laptop, the practicality of AI PC is still limited without compelling AI applications. As a result, the potential for AI PC penetration rate growth in 2024 will be relatively restricted. The key to driving global laptop shipments and achieving growth in the next two to three years lies in the innovation and implementation of relevant software.

◆ Competition

◎ Rugged notebook computer

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

◎ Distribution of computer and its peripheral products

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

(III) Technology and R&D overview

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

Unit: NT$1000

Item \ Year	2023	First quarter of 2024
R&D expenses	86,708	23,754
Net operating revenue	2,989,074	757,955

Proportion of R&D expenses in net operating revenue (%)	2.90	3.13

◆ Successfully developed technologies:

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

◎ Environmental resistance design:

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

◎ Electromagnetic interference / tolerance design:

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

Some models have even reached Tempest (NSA) AMSG (NATO) confidential computer standard, which is obviously much better than competitors.

◎ MTBF/MTTR (reliability / maintenance):

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

◆ Successfully developed products - 2023

Product	Features and functions
RK15 (Workstation for military and industrial use) 	1. Intel Xeon® W-11865mle processor, energy saving design, with high battery life 2. 15 "LCD is adopted, and the brightness can be adjusted according to the needs of the operating environment 3. It can support ECC/non-ECC DDR4 memory with a maximum capacity of 64GB 4. High capacity storage space, can support two groups of M.2 PCIe NVME SSD, and support RAID 0, 1 5. Comprehensive online capability, supporting BT, WLAN and GPS 6. Support two groups of 2.5G high-speed transmission Ethernet networks 7. Support USB 3.1 Gen.1 and USB 2.0 8. Flex Bay provides the best expansion flexibility and customized applications. 9. Structural design of magnesium aluminum alloy casing and patented cabin waterproof casing 10. Waterproof, dustproof, shockproof and fall

Product	Features and functions
	proof characteristics, and the module can be operated at low temperature, with a minimum of -30℃. 11. Military certified MIL-STD-810H and MIL-STD-461G
In response to the needs of customers in extremely low temperature environment, we are committed to developing the operational stability of various models in low temperature environment.	

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

◆ Short term development plan

◎ Marketing strategy:

A. Increase sales channels.

B. Regularly participate in exhibitions and visit customers to improve customer satisfaction.

◎ R&D Strategy:

A. Improve specifications and create high standard products.

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

◎ Production strategy:

A. Continuously reduce the process defect rate and improve product quality.

B. Reduce production costs.

◎ Business strategy:

A. Maintain a flat organization, make full use of internal information systems, and improve decision-making efficiency, execution and operational performance.

B. Train talents, strengthen staff training and recruit excellent talents to enhance the competitiveness of the Company.

◎ Financial strategy:

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

◆ Long term development plan

◎ Marketing strategy:

A. Establish strategic alliances with customers through investment and shareholding, and guide their testing and service capabilities, and gradually implement them to major countries, so as to achieve the framework of local operation and global support and expand market share.

B. Provide customers with competitive advantages and solutions, and establish a solid cooperative relationship with customers with innovative technology, reliable quality and perfect technical support and services.

◎ R&D Strategy:

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

◎ Production strategy:

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

◎ Business strategy:

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

◎ Financial strategy:

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

II. Market, production and sales overview

(I) Market analysis

◆ Sales area of main products:

Unit: NT$1,000

Region \ Year		2023		2022	
		Amount	Proportion (%)	Amount	Proportion (%)
Export	Germany	785,726	26.29	336,372	12.42
	United Kingdom	106,802	3.57	56,932	2.10
	Sweden	100,917	3.38	117,723	4.35
	U.S.A	93,275	3.12	195,646	7.22
	Other regions	64,202	2.15	11,020	0.41
Domestic sales		1,838,152	61.49	1,990,673	73.50
Total		2,989,074	100.00	2,708,366	100.00

◆ Market share:

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

◆ Future supply and demand and growth of the market

◎ Rugged computer

★ Supply and demand

A. Demand side

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

B. Supply side

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

★ Future growth

The scale of rugged notebook computers is gradually expanding, which has been widely accepted in some developed countries, and developing countries have gradually realized the necessity of using rugged notebook computers. In particular, police, patrol vehicles and detection vehicles have been regarded as necessary equipment, and the demand for special specification notebook computers for industrial use is also increasing. Therefore, compared with the commercial notebook computer industry, the market of rugged notebook computers still has considerable room for development in the next few years. At present, there are few manufacturers engage in the industry, which belongs to a niche market with special specifications. Therefore, the Company can still maintain its competitive advantage and sustain stable profit growth in the future.

◎ Distribution of computer and its peripheral products

★ Supply and demand

1. Product price: As product specifications evolve more slowly, price is one of the most important factors for consumers to replace their computers. When the price is lower, consumers' willingness to replace will increase. For example, when the price of products drops rapidly, consumers will give up repairing old products and buy new equipment, increasing the demand for notebook computer manufacturing industry.

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

★ Future growth

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

◆ Competitive edge

◎ The Company has established a global marketing network, has professional partners in various consumer countries, and invests in dealers in the most important North American and European markets. We can fully grasp the loyalty and market trends.

◎ With independent R&D personnel and established knowledge base and laboratory related to environmental resistance and electromagnetic interference, it is difficult for new competitors to catch up.

◎ Our products have been scattered to various markets and are less affected by economic changes.

◎ The Company's flexible production system can meet the needs of customers for small quantity, diverse design and fast delivery.

◎ The main management team has cooperated for more than ten years, the turnover rate of cadres and personnel is very low, and the cohesion of employees is strong.

◆ Favorable and unfavorable factors of development prospects

◎ Favorable factors

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

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

★ Strong R&D team and professional management talents

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

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

★ Taiwan's overall information industry environment

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

◎ Adverse factors and countermeasures

★ Local manufacturer and Japanese giant brand Panasonic join the competition

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

Countermeasures: rugged computers are products with small quantity and

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

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

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

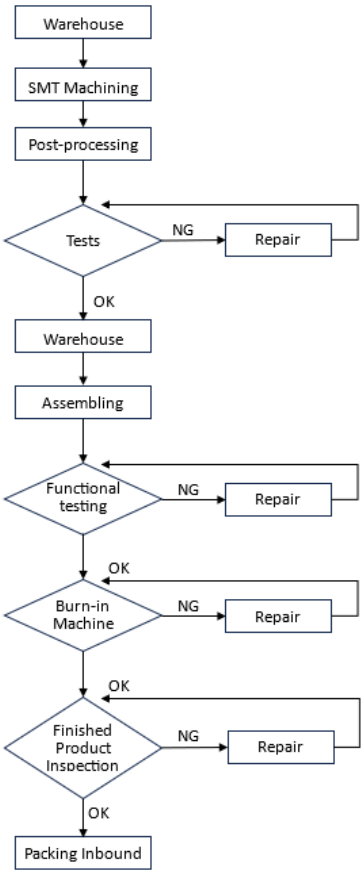
Countermeasures: make operation transparent and go listed to strengthen the Company's image, introduce public funds, implement employee stock option and reward and dividend system, and effectively attract talents.

(II) Important uses and production process of main products

◆ Main product uses

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

◆ Production process



(III) Supply of main raw materials

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

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

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

◆ Supplier

Unit: NT$1,000

	2023				2022				As of the first quarter of 2024			
Item	Title	Amount	Percentage of net purchase in the whole year〔%〕	Relationship with the issuer	Title	Amount	Percentage of net purchase in the whole year〔%〕	Relationship with the issuer	Title	Amount	Percentage of net purchases as of the previous quarter in the current year [%]〔%〕	Relationship with the issuer
1	Company A	713,292	34.96	None	Company A	924,884	42.34	None	Company A	146,125	33.37	None
2	Company B	331,231	16.24	None	Company B	368,745	16.88	None	Company B	97,441	22.25	None
3												
4												
	Other	995,935	48.81		Other	890,887	40.78		Other	194,287	44.38	
	Net purchases	2,040,458	100.00		Net purchases	2,184,516	100.00		Net purchases	437,853	100.00	

◆ Customer of sales

Unit: NT$1000

	2023				2022				As of the first quarter of 2024			
Item	Title	Amount	Percentage of the net sales in the whole year〔%〕	Relationship with the issuer	Title	Amount	Percentage of the net sales in the whole year〔%〕	Relationship with the issuer	Title	Amount	Percentage of net sales as of the previous quarter in the current year [%]〔%〕	Relationship with the issuer
1	RODA	785,726	26.29	Other substantial related parties	RODA	336,373	12.42	Other substantial related parties	RODA	275,419	36.34	Other substantial related parties
2	Company A	318,669	10.66									None
	Other	1,884,679	63.05		Other	2,371,993	87.58		Other	482,536	63.66	
	Net sales	2,989,074	100.00		Net sales	2,708,366	100.00		Net sales	757,955	100.00	

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

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

Unit: NT$1,000

Year / Production volume and output value / Main product (or department)	2023			2022		
	Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Rugged notebook computer	6,525	9,005	707,894	6,525	5,292	471,681

(VI) Sales volume of the last two years

Unit: NT$1,000

Year / Sales volume and sales value / Main product (or department)	2023				2022			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Notebook computer	56,981	1,780,459	6,670	1,148,206	70,373	1,911,679	4,315	725,581
Computer peripherals		60,369				71,106		
Total	56,981	1,840,868	6,670	1,148,206	70,373	1,982,785	4,315	725,581

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

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

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

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

Year		2023	2022	As of March 31, 2024
Number of employees	Management	17	18	16
	R&D personnel	40	36	40
	Business personnel	132	138	125
	Production personnel	117	100	118

Year		2023	2022	As of March 31, 2024
	Total	306	292	299
Average age		41.07	43.16	41.62
Average length of service		11.19	13.42	12.54
Education distribution ratio%	Doctor	0	0	0
	Master	4.58	3.77	4.68
	College	72.54	71.57	70.90
	High school	18.30	20.21	19.40
	Below high school	4.58	4.45	5.02

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

Year	2023		2022		As of March 31, 2024	
Gender	Number of people	Proportion	Number of people	Proportion	Number of people	Proportion
Male	202	66.01	196	67.12	192	64.21
Female	104	33.99	96	32.88	107	35.79
Total	306	100.00	292	100.00	299	100.00

IV. Environmental protection expenditure

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

1. There was no violation of environmental protection laws and regulations in 2023 and up to the printing date of the annual report.
2. The business operations of the Company do not generate any significant pollution. The waste generated from production and activities is disposed of using the following methods:

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

Classification	Definition	Treatment method
	related regulations	annual scrapping operation is completed, it shall be handed over to the administration representative and the designated personnel to commission a qualified clearance and disposal provider for disposal.

(II) Future countermeasures and possible expenditures:

★ Future countermeasures: In October 2005, the Company passed the verification of ISO 14001 environmental management system of the Bureau of Standards, Metrology and Inspection, M.O.E.A., fully understood the importance of environmental protection, not only continued to advocate employees' awareness of environmental protection, but also implemented various measures related to environmental protection within the Company (please refer to pages 103-105 of this annual report).

★ Possible expenses: at present, we focus on the implementation of various measures related to environmental protection within the Company, and it is expected that there will be no large amount of expenditure.

V. Labor relations

(I) Employee welfare measures

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

☆ Insurance: labor and health insurance

☆ Regular free employee health examination

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

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

☆ Employee travel subsidy

☆ Employee remuneration and sharing of business results

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

☆ Separate nursery room and pumping room

☆ Other matters related to employee welfare.

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

(II) Employee further education and training

◎ In order to improve the working skills and professional knowledge of the Company's on-the-job employees, make them adjust to technological changes and market changes, cultivate high-quality talents through training, maintain their competitiveness, enhance work performance, improve product quality, strengthen the concept of environmental protection and environmental protection awareness, and enable the sustainable growth of employees' career development and enterprise operation, the Company has formulated the "operation procedure for education and training", and designated the HR Department as the authority and responsibility unit of the procedure, responsible for 1. handling the demand survey on education and training, summarizing the demand table of each unit, and preparing the annual education and training plan and 2. evaluating and reviewing the implementation results of education and training as a reference for future improvement.

◎ The Company's staff education and training includes:

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

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

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

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

◎ Training hours planning:

(1) Manager, deputy manager, section chief, specialist, secretary and engineer: 24h / year

(2) Team leader, assistant, technician and other direct employees: 15h / year

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

total.

◎ The statistics and expenditure of staff further education and training in 2023 are as follows:

People	Total Hours (H)	Expenditure (NT$1,000)
1,410	2,664	90

◎ Achievement of training hour planning in 2023

Department	Number of people	Target Training Hours	Actual Execution Hours	Achievement Rate in 2023	Achievement Rate in 2022	Difference in Achievement Rate between Two Years
R&D Division	39	822	808.5	98.36	65.87	32.49
Administration Division	16	372	294.5	79.17	106.83	(27.66)
Business Division	11	244	205.0	84.02	45.70	38.32
Manufacturing Division / Quality Assurance / Industrial Safety	108	2,320	1,356.0	58.45	45.81	12.64
Total	**174**	**3,758**	**2,664**	**70.89**	**56.04**	**14.85**

Differential Analysis:

1. R&D Division: The primary objective of the R&D Division is to provide internal training for engineers. This training includes: (1) providing feedback on professional skills; (2) conducting on-site product demonstrations by vendors; (3) educating employees on company policies. The department has achieved a 32.49% increase in the training success rate compared to the previous year.
2. Administration Division: (1) Finance Department and Audit, focusing on courses that comply with laws and regulations. (2) HR Department, training on salary and attendance system implementation. (3) Purchasing Department, vendor on-site product briefing, and other functional courses. (4) Information Office, functional and technical courses. However, there are still some colleagues who have not met the required hours, resulting in a decrease of 27.66% compared to last year.
3. Business Department: This year, the department offered more internal courses. In addition to colleagues' enthusiastic participation, some colleagues also collaborated on ESG-related courses, resulting in a 38.32% increase in the achievement rate compared to last year.
4. Manufacturing Division / Quality Assurance / Industrial Safety: In the past two years, there has been a surge in orders, leading to a significant increase in production capacity and the hiring of many new employees. Alongside the training provided to new employees, the primary focus has been on pre-job

"operating instructions" training. Unfortunately, there is no available time to schedule additional training courses. Industrial Safety, as the core department of ESG, has diligently adhered to policy requirements, resulting in the completion of ESG and labor safety training hours that exceed the Manufacturing Department's overall achievement rate by 196%. Although this year's achievement rate has improved by 12.64% compared to last year, it still falls below the passing grade and requires further strengthening.

＊ Explanation of Performance:

The overall training completion rate for this year is 70.89%, representing a 14.85% increase compared to the rate of 56.04% in 2022. This improvement can be attributed to the end of the epidemic and the gradual recovery of vitality. In line with the company's policy requirements, various departments have implemented functional training, including courses related to ESG. Environmental protection, social responsibility, and corporate governance have become key performance indicators for the company.

Furthermore, we will invite vendors to provide on-site industry briefings in order to enhance information exchange and facilitate cross-selling of various products or services. This will help strengthen our mutual relationship.

In addition, training and refresher courses on labor safety, health, and fire management are also a key focus of this year's emergency response training. It is the company's responsibility to provide a safe and high-quality working environment to ensure the well-being of its employees.

(III) Retirement system and Implementation

◎ The Company has formulated the "measures for the administration of employee retirement" and actuarial work on the retirement reserve through a professional actuary. The Company allocates the "retirement reserve" within the limit of 2% of the total salary of employees every month and deposit it in the special pension account of the Bank of Taiwan. By the end of 2023, the balance of the special pension account was NT$57,272 thousand. On January 29, 2024, it was supplemented to cover the claims of eligible colleagues who meet the retirement conditions in 2024.

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

(1) If a colleague complies with the retirement regulations, the Company may give two base amounts for each full year of his / her working experience. However, for more than 15 years of working experience, a base amount shall be given for each full year, with a maximum of 45 base points. For less than half a year, it shall be counted as half a year and for half a year, it shall be counted as one year.

(2) Every year, the HR Department estimates the pension amount of employees eligible for retirement in the current year. If the special pension account is insufficient, it shall be appropriated to the account through the resolution of the committee to protect the due rights and interests of employees.

◎ Since July 1, 2005, in line with the implementation of the Labor Pension Act (hereinafter referred to as the "new system"), if the employees who originally applied the measures choose to apply the service length after the new system is implemented, or the employees who come to work after the implementation of the new system, their service length will be changed to the defined contribution system, and the payment of their pension will be set aside by the Company at 6% of their monthly salary and deposited in the individual account of labor pension.

◎ In 2023, the pension cost allocated by the new and old system was NT$11,432 thousand, and five colleagues retired.

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

◎ The Company has always handled labor relations in line with the business philosophy of integration of labor and management, coexistence and common prosperity, so it attaches great importance to the opinions of employees. Employees can reflect their problems in work and life at any time through the formal and informal communication channels of the company. Through the following two-way communication opportunities, the company and employees can better understand and recognize each other, so as to gather consensus and create good results.

◎ Labor-management coordination meeting - held quarterly

The advocacy communication of the Company's systems and the two-way communication between employees on the Company's various decrees, working environment, safety and health and other issues. Through this negotiation and communication model, both labor and management can strengthen the good faith relationship of mutual trust and mutual understanding, which can be used as an important reference source in management and administration.

◎ Employee welfare committee - re-elected annually

The employee welfare committee is appointed with employees who are enthusiastic about public welfare and good at communication to lead the Company's welfare measures:

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

◎ Regular health examination-

In order to maintain the health of colleagues, the Company hires a professional medical team to the factory every year to carry out general health examination for all employees.

◎ Employee remuneration -

In order to increase employees' sense of participation in the Company and improve business and management performance, according to the articles of

association adopted by the Board of Directors of the Company but not resolved by the shareholders' meeting, if there is profit in the year, 5% ~ 10% shall be allocated as employees' remuneration. Let employees gather their cohesion with the Company through the process of profit sharing, and then work together for the overall goal of the Company.

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

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

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

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

1. There were no labor disputes or violations of the Labor Standards Act in 2023.
2. In the future, the Company will continue to adhere to the consistent principle, continuously improve various welfare measures of employees, maintain smooth communication channels, and sustain good labor relations and consensus. Therefore, there should be no risk of labor disputes in the future.

VI. Information security management

(I) Information security risk management framework

The Company's information security risk management is handled by the Information Office as the responsible unit. So far, one person has been appointed, and its direct supervisor is the executive vice president.

(II) Information security risk assessment

The Company has established a set of network and computer security protection system to control or maintain the functions of the Company's operation, accounting and other important business operations, but there is no guarantee that our computer system can completely avoid the attack of cyber virus initiated by a third party that may cause system paralysis. These cyber-attacks illegally invade our internal network system, carry out activities that damage the company's operation or damage the company's goodwill, and may also attempt to steal the company's business secrets, other intellectual property and confidential information, such as personal information of employees and the proprietary information of customers or other stakeholder. Malicious hackers can also try to import computer viruses or destructive software into the Company's network system to interfere with the Company's operations or pry into confidential information. In case of serious cyber attack, the Company's system may lose the important operation data of the Company and affect the normal operation of the

Company.

(III) Information and communication security policy

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

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

(IV) Specific Management Plan

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

1. There are "electronic operation cycle" measures to clarify the planning and application policies of information and communication security rights and responsibility units and information systems, as well as their handling and application procedures, so as to meet the requirements of operation safety, standardization, rationality and legitimacy and protect the rights and interests of the Company.
2. Network firewall setting - hardware firewall device.
3. Anti-virus software settings - use the central control security software of Trend Micro for corporate use.
4. System program data access control -
   (1) Establish identity permissions to govern file use.
   (2) Establish remote data backup mechanism.
5. Computer management control of e-mail and personal work - establish identity and set personal password control.
6. Information system disaster recovery plan.
7. Production line - automatic plug-in equipment -
   (1) No networking of equipment
   (2) The program is distributed to the workstation of each device. Stealing a single program cannot destroy
   (3) The procedures used in production are placed on the Company's intranet, and only the user units can access them with the authorized password.
8. Compliance

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

9. Implementation of internal audit

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

(V) Resources input in information and communication security management

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

(VI) Information Security Officer and Information Security Staffing

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

The responsibilities are as follows: Planning, monitoring and implementing information security management of information security systems.

1. Dedicated Head of Information Security: Executive Vice President Yong-Xiang Zhou

   Information Security Officer: Mr. I-Hua Chien, Senior Engineer, Information Office
2. On November 1, 2023, the Company established the Information Security Promotion Organization to tackle the growing cybersecurity risks and comply with the amended legislation of the Financial Supervisory Commission.
3. The Information Office, acknowledging the significance of information security, took the initiative to propose and apply for membership in the Taiwan CERT/CSIRT, as advised by the Financial Supervisory Commission and the Taipei Exchange. The application was granted, and on January 26, 2022, the department officially became a member of the alliance.

   Currently, the Company as a member of an alliance that focuses on exchanging and sharing cybersecurity information for early warning purposes.

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

In 2023 and as of the printing date of the annual report, the Company did not find any major cyber attacks or incidents.

VII. Important contract

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

Chapter 6 Financial overview

I. Condensed financial data of the last five years

(I) 1. Consolidated condensed balance sheet - IFRS

Unit: NT$1,000

Item \ Year		Financial summary for the last five years (Note 1)				
		2023	2022	2021	2020	2019
Current assets		2,167,577	1,889,117	1,859,023	1,794,807	1,723,171
Property, plant and equipment		256,545	242,500	242,238	246,987	245,908
Intangible assets		6,458	9,417	7,765	4,114	4,647
Other assets		1,063,588	1,174,628	849,143	257,188	256,708
Total assets		3,494,168	3,315,662	2,958,169	2,303,096	2,230,434
Current liabilities	Before distribution	684,045	621,790	594,777	559,364	605,342
	After distribution (Note 2)	1000,947	833,058	811,914	823,449	851,821
Non-current liabilities		252,304	264,804	223,202	121,143	115,695
Total liabilities	Before distribution	936,349	886,594	817,979	680,507	721,037
	After distribution (Note 2)	1,253,251	1,097,862	1,035,116	944,592	967,516
Equity attributable to owners of the parent		2,537,178	2,413,121	2,126,217	1,604,603	1,497,635
Share capital		586,855	586,855	586,855	586,855	586,855
Capital surplus		74,113	72,650	72,650	72,650	72,650
Retained earnings	Before distribution	1,634,564	1,372,791	1,361,658	990,039	890,405
	After distribution (Note 2)	1,317,662	1,161,523	1,144,521	725,954	643,926
Other Equity		241,646	380,825	105,054	(44,941)	(52,275)
Treasury stock		0	0	0	0	0
Non-controlling interests		20,641	15,947	13,973	17,986	11,762
Total equity	Before distribution	2,557,819	2,429,068	2,140,190	1,622,589	1,509,397
	After distribution (Note 2)	2,240,917	2,217,800	1,923,053	1,358,504	1,262,918

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

Note 2: Figures after allocation in 2023, based on the resolution of the Board of Directors or the next annual shareholders' meeting

2. The parent only condensed balance sheet - IFRS

Unit: NT$1,000

Item \ Year		Financial summary for the last five years (Note 1)				
		2023	2022	2021	2020	2019
Current assets		2,122,077	1,852,192	1,831,674	1,765,592	1,708,966
Property, plant and equipment		227,564	222,025	220,590	221,944	223,717
Intangible assets		3,678	7,146	7,765	4,114	4,535
Other assets		1,077,604	1,188,422	855,722	273,961	263,687
Total assets		3,430,923	3,269,785	2,915,751	2,265,611	2,200,905
Current liabilities	Before distribution	654,332	603,398	580,740	541,903	594,692
	After distribution (Note 2)	971,234	814,666	797,877	805,988	841,171
Non-current liabilities		239,413	253,266	208,794	119,105	108,578
Total liabilities	Before distribution	893,745	856,664	789,534	661,008	703,270
	After distribution (Note 2)	1,210,647	1,067,932	1,006,671	925,093	949,749
Equity attributable to owners of the parent		2,537,178	2,413,121	2,126,217	1,604,603	1,497,635
Share capital		586,855	586,855	586,855	586,855	586,855
Capital surplus		74,113	72,650	72,650	72,650	72,650
Retained earnings	Before distribution	1,634,564	1,372,791	1,361,658	990,039	890,405
	After distribution (Note 2)	1,317,662	1,161,523	1,144,521	728,954	643,926
Other Equity		241,646	380,825	105,054	(44,941)	(52,275)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	2,537,178	2,413,121	2,915,751	2,265,611	1,497,635
	After distribution (Note 2)	2,220,276	2,201,853	2,698,614	2,001,526	1,251,156

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

Note 2: The figures after distribution in 2023 are filled in according to the resolutions of the Board of Directors or the next annual shareholders' meeting.

(II) 1. Consolidated condensed statement of comprehensive income - IFRS

Unit: NT$1,000

Year / Item	Financial summary for the last five years				
	2023	2022	2021	2020	2019
Operating revenue	2,989,074	2,708,366	2,807,705	2,975,826	2,822,222
Gross operating profit	900,515	558,175	615,605	681,312	639,670
Operating profit and loss	580,770	265,822	324,548	371,213	321,340
Non-operating income and expense	7,871	39,663	484,629	50,543	33,729
Net profit before tax	588,641	305,485	809,177	421,756	355,069
Net profit of continuing operations in the current period	466,637	235,380	644,375	329,496	278,483
Loss on discontinued business unit	0	0	0	0	0
Net profit (loss) for the current period	466,637	235,380	644,375	329,496	278,483
Other comprehensive profit or loss for the current period (net after tax)	(126,966)	275,771	149,995	30,175	(16,794)
Total amount of other current comprehensive gains and losses	339,671	511,151	794,370	359,671	261,689
Net profit attributable to owners of the parent company	460,828	228,270	638,192	323,272	278,214
Net profit attributable to non-controlling interests	5,809	7,110	6,183	6,224	269
Total comprehensive profit or loss attributable to owners of the parent company	333,862	504,041	788,187	353,447	261,420
Total comprehensive profit or loss attributable to non-controlling interests	5,809	7,110	6,183	6,224	269
EPS	7.85	3.89	10.87	5.51	4.74

2. Parent only condensed consolidated income statement - IFRS

Unit: NT$1,000

Item \ Year	Financial summary for the last five years (Note)				
	2023	2022	2021	2020	2019
Operating revenue	2,984,261	2,706,970	2,807,558	2,975,826	2,822,099
Gross operating profit	858,627	524,875	589,593	657,105	633,265
Operating profit and loss	558,003	238,733	303,456	352,775	319,491
Non-operating income and expense	13,653	53,207	491,821	58,511	35,309
Net profit before tax	571,656	291,940	795,277	411,286	354,800
Net profit of continuing operations in the current period	460,828	228,270	638,192	323,272	278,214
Loss on discontinued business unit	0	0	0	0	0
Net profit (loss) for the current period	460,828	228,270	638,192	323,272	278,214
Other comprehensive profit or loss for the current period (net after tax)	(126,966)	275,771	149,995	30,175	(16,794)
Total amount of other current comprehensive gains and losses	333,862	504,041	788,187	353,447	261,420
Net profit attributable to owners of the parent company	460,828	228,270	638,192	323,272	278,214
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive profit or loss attributable to owners of the parent company	333,862	504,041	788,187	353,447	261,420
Total comprehensive profit or loss attributable to non-controlling interests	0	0	0	0	0
EPS	7.85	3.89	10.87	5.51	4.74

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

(III) Names of CPAs and review opinion:

Year	Firm name	Names of CPAs	Opinion (Note)
2019	KPMG	CPA Ci-Jie Tang, CPA Wei-Ming Shi	Unqualified opinion
2020	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion
2021	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion
2022	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion
2023	KPMG	CPA Ching-Wen Kao, CPA Mei-Yan Chen	Unqualified opinion

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

Analysis items \ Year		Financial analysis for the last five years				
		2023	2022	2021	2020	2019
Financial structure	Ratio of liabilities to assets (%)	26.80	26.74	27.65	29.55	32.33
	Ratio of long-term capital to property, plant and equipment (%)	770.69	1,001.68	883.51	657.66	541.32
Debt service ability	Current ratio (%)	316.88	303.82	312.56	320.87	284.66
	Quick Ratio (%)	141.09	135.57	159.60	165.08	153.61
	Interest coverage ratio (%)	658.70	369.94	1,676.31	594.19	330.99
Operating capacity	Receivables turnover rate (times)	11.12	30.16	21.74	18.33	27.01
	Average cash received days	33	12	17	20	14
	Inventory turnover rate (times)	1.87	2.21	2.49	2.78	2.89
	Payable turnover rate (times)	11.46	13.17	15.49	12.83	11.48
	Average sales days	195	165	147	131	126
	Property, plant and equipment turnover rate (times)	9.01	11.17	11.59	12.05	10.10
	Total asset turnover rate (times)	0.86	0.82	0.95	1.29	1.27
Profitability	Return on assets (%)	13.73	7.52	24.51	14.56	13.46
	Return on equity (%)	18.71	10.30	34.25	21.04	19.08
	Percentage of net income before tax to paid-in capital (%)	100.30	52.05	137.88	71.87	60.50
	Net income ratio (%)	15.61	8.69	22.95	11.07	9.86
	Earnings per share (NT$)	7.85	3.89	10.87	5.51	4.74
Cash flow	Cash flow ratio (%)	13.39	18.14	61.08	30.07	58.95
	Cash flow adequacy ratio (%)	63.32	63.58	69.80	80.79	88.39
	Cash reinvestment ratio (%)	(6.09)	(6.21)	5.98	(4.46)	12.23
Leverage	Operating leverage	1.57	2.13	1.93	1.81	1.90
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

1. The decrease in the ratio of long-term capital to property, plant and equipment is primarily attributed to the higher expenditure on factory renovation and pre-purchased equipment in the current period compared to the same period last year.
2. The increase in the interest coverage ratio is mainly due to the increase in the net profit before tax of the current period compared with the same period of the previous year
3. The decrease in receivables turnover rate and the increase in average cash received days are primarily attributed to the higher amount of related party accounts receivable and longer duration during this period.

4. The main reason for the increase in return on assets, return on equity, percentage of net income before tax to paid-in capital, net profit margin, and earnings per share is the increase in this year's pre-tax and after-tax net income compared to the same period last year.
5. The increase in the cash flow ratio is mainly due to the increase in net cash flow from operating activities in the current period compared with the same period of the previous year
6. The decrease in operating leverage is mainly due to the increase in operating income in the current period compared with the same period last year.

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

Analysis items \ Year		Financial analysis for the last five years				
		2023	2022	2021	2020	2019
Financial structure	Ratio of liabilities to assets (%)	26.05	26.20	27.08	29.18	31.95
	Ratio of long-term capital to property, plant and equipment (%)	889.06	1,086.87	963.88	722.98	669.43
Debt service ability	Current ratio (%)	324.31	306.96	315.40	325.81	287.37
	Quick Ratio (%)	132.95	129.55	153.78	162.72	153.16
	Interest coverage ratio (%)	1,061.59	610.48	2,617.04	1,232.40	768.97
Operating capacity	Receivables turnover rate (times)	11.12	30.25	21.74	18.33	27.02
	Average cash received days	33	12	17	20	14
	Inventory turnover rate (times)	1.84	2.19	2.46	2.77	2.89
	Payable turnover rate (times)	12.24	13.02	15.19	12.84	11.51
	Average sales days	199	167	149	132	126
	Property, plant and equipment turnover rate (times)	10.46	12.19	12.73	13.41	12.62
	Total asset turnover rate (times)	0.87	0.83	0.96	1.31	1.28
Profitability	Return on assets (%)	13.77	7.39	24.64	14.49	13.60
	Return on equity (%)	18.62	10.06	34.21	20.84	19.19
	Percentage of net income before tax to paid-in capital (%)	97.41	49.75	135.52	70.08	60.46
	Net income ratio (%)	15.44	8.43	22.73	10.86	9.86
	Earnings per share (NT$)	7.85	3.89	10.87	5.51	4.74
Cash flow	Cash flow ratio (%)	5.11	13.54	57.10	24.28	56.63
	Cash flow adequacy ratio (%)	48.45	57.54	65.40	78.95	89.25
	Cash reinvestment ratio (%)	(9.20)	(8.20)	4.13	(6.65)	11.08
Leverage	Operating leverage	1.53	2.18	1.94	1.81	1.86
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

The analysis of changes is the same as 1. consolidated financial analysis - IFRS

The calculation formula for financial analysis is as follows

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

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

Mildef Crete Inc.
Audit Committee Review Report

The Board of Directors prepared the Company's 2023 annual operation report, independent and consolidated financial statements, and earnings distribution proposal, among which the independent and consolidated financial statements were audited by CPA Ching-Wen Kao and CPA Mei-Yan Chen of KPMG and issued an audit report. The above-mentioned operation report, independent and consolidated financial statements, and earnings distribution proposal are not inconsistent after examination by this audit committee. To the board of that, a report shall be prepared under Article 14-4 of the Securities and Exchange Law and Article 219 of the Company Law if there is no discrepancy.

Sincerely

2024 Shareholders' Meeting of the Mildef Crete Inc.

Auditor Jun-Ming Wang

Auditor Xiao-Long Feng

Auditor Yong-Cheng Chun

March 13, 2024

IV. Recent Annual Financial Report: See Annual Report pages 190-246.

V. The most recent annual accountant verification company individual financial report: please refer to pages 247-308 of the annual report.

VI. The Company and its affiliated enterprises have experienced difficulties in financial turnover in the most recent year and up to the printing date of the annual report: None.

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

I. Financial position

(I) Comparative analysis of financial position

Unit: NT$1000

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	2,167,577	1,889,117	278,460	14.74
Long-term investments	-	-		
Fixed assets	256,545	242,500	14,045	5.79
Intangible assets	6,458	9,417	(2,959)	(31.42)
Other assets	1,063,588	1,174,628	(111,040)	(9.45)
Total assets	3,494,168	3,315,662	180,506	5.44
Current liabilities	684,045	621,790	62,255	10.01
Long-term liabilities	-	-		
Other liabilities	252,304	264,804	(12,500)	(4.72)
Total liabilities	936,349	886,594	49,755	5.61
Share capital	586,855	586,855	-	-
Capital surplus	74,113	72,650	1,463	2.01
Retained earnings	1,634,564	1,372,791	261,773	19.07
Other Equity	241,646	380,825	(139,179)	(36.55)
Total shareholders' equity	2,557,819	2,429,068	128,751	5.30

Explanatory analysis of changes in the proportion of increase or decrease (if the change in the previous and subsequent periods is more than 20% and the amount of the change reaches NT$10 million):

The decrease in other equity is mainly due to the decrease in the amount of non-current valuation of financial assets at fair value through other comprehensive income - compared with the same period of last year

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

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

II. Financial performance

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

Unit: NT$1,000

Item \ Year	2023	2022	Increase or decrease amount	Percentage change (%)
Net operating revenue	2,989,074	2,708,366	280,708	10.36
Operating cost	2,088,559	2,150,191	(61,632)	(2.87)
Gross operating profit	900,515	558,175	342,340	61.33
Gross profit realized (unrealized) from sales of goods among affiliated companies	-	-		
Realized gross operating profit	900,515	558,175	342,340	61.33
Operating expenses	319,745	292,353	27,392	9.37
Operation interests	580,770	265,822	314,948	118.48
Non-operating income and expense	7,871	39,663	(31,792)	(80.16)
Net profit before tax from continuing operations	588,641	305,485	283,156	92.69
Income tax expense (gain)	122,004	70,105	51,899	74.03
Net profit after tax from continuing operations	466,637	235,380	231,257	98.25

The analysis of the proportion of increase or decrease of more than 20% is as follows:

1. Gross operating profit, realized gross operating profit, operation interests, net profit before tax from continuing operations, income tax expense, and net profit after tax from continuing operations have all increased primarily due to higher sales of rugged notebook computers with higher gross profit in the current period.
2. The decrease in non-operating income and expenses is primarily attributed to a decline in dividend income and a shift from profit to loss in foreign currency exchange compared to the previous year.

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

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

III. Cash flow

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

Item \ Year	2023	2022	Percentage increase (decrease) %
Cash flow ratio	13.39	18.14	(2.62)
Fund flow adequacy ratio	63.32	63.58	(0.41)
Cash reinvestment ratio	(6.09)	(6.21)	(1.93)
Analysis explanation of increase or decrease in the proportion of change of more than 20% None.			

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

(III) Analysis of cash liquidity in the next year

Unit: NT$1000

Cash balance at the beginning of the period	Net cash flow from operating activities throughout the year	Annual cash outflows	Amount of cash remaining (shortfall)	Remedial measures for cash shortfall	
				Investment plan	Financing plan
311,156	255,500	350,000	216,656	0	0

1. Analysis of changes in cash flows in the next year:
   (1) Net cash flow from operating activities throughout the year: mainly due to net operating profit.
   (2) Annual cash outflows: mainly related to investment activities and financing activities, estimated cash outflows are as follows:
   Investment activities: mainly related to the acquisition of fixed assets.
   Financing activities: mainly related to the distribution of cash dividends
2. Remedial measures for expected insufficient cash: not applicable.

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

(I) Application and source of funds of major capital expenditure:
The capital expenditure of the consolidated company in 2023 was approximately NT$24,120 thousand, which was mainly used for the purchase of additional machinery and equipment as well as the enhancement of right-of-use assets improvements; the sources of funds were own funds.

(II) Expected benefits:
The aforementioned significant capital expenditure is required for future development, helping to increase capacity, reduce unit production costs and increase revenue.

V. Reinvestment in recent years

(I) Reinvestment policy
The Company's reinvestment policy is to establish complete marketing channels and provide fast after-sales services through investment, alliances with distributors who are

familiar with the local industry environment or have strong sales service capabilities, in order to meet the unique needs of each regional market to develop potential new customers and increase market share.

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

Analysis of gain or loss on reinvestment

Unit: NT$1,000

Year / Item	2023		
Invested company	Shareholding ratio (%)	Gain (loss) of invested company in the current period	Recognized gain (loss) on investment in the current period
Flexbasis Technology (Note)	57.73	44,512	8,166

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

(III) Investment plan for the next year:

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

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

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

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

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

Unit: NT$1000

Analysis items	2023			As of March 31, 2024		
	Interest income	Interest expense	Net gain (loss) on exchange	Interest income	Interest expense	Net gain (loss) on exchange
Interest income/interest expense/net exchange gains	9,859	895	(9,149)	1,888	300	14,263
Percentage of net operating revenue (%)	0.33	0.03	0.31	0.25	0.04	1.88
Percentage of operating profit (%)	1.70	0.15	1.58	1.05	0.17	7.91
Percentage of net income before tax (%)	1.67	0.15	1.55	0.96	0.15	7.24

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

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

★ Changes in interest rates

◎ It can be seen from the above table that the Company mainly operated with its funds, the amount of external borrowing is not significant, and the financial assets of the company are not materially affected by the change in interest rate. Therefore, the company's management believes that the change in interest rate has no significant impact on the company's short-term profit or loss.

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

★ Changes in exchange rates

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

The response measures taken by the Company are:

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

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

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

★ Inflation

◎ The Company's main export markets are Europe and North America. The Company does not believe that inflation in the Republic of China, Europe and North America has a significant impact on the Company's operating results in 2023. However, the Company cannot guarantee that future inflation will not have a material adverse impact on the Company's operating results.

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

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

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

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

◆ Specific response measures of the Company

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

◎ Capital management -

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

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

◆ Future R&D plan:

Product	Functions and characteristics
ML15 (Industrial semi-rugged tablet computers) 	1. It adopts Intel Core i7 processor, energy-saving design and high battery life 2. 15.6" LCD with sunlight-readable technology, capable of adjusting brightness based on the operating environment. 3. It can support DDR4-3200 memory with a maximum capacity of 64GB 4. High capacity storage space, can support two groups of M.2 PCIe NVME SSD, and supports an external 2.5” hard drive. 5. Comprehensive connectivity with Bluetooth®, Wi-Fi, and GNSS. 6. Support one group of 2.5G high-speed transmission Ethernet networks and one group of 1G transmission Ethernet networks 7. Support two groups of USB 3.1 Gen.1 and one group of USB 2.0 8. Flex Bay and Flex IO offer optimal expansion flexibility and optional applications. 9. The military-certified MIL-STD-810H and IP53 certifications provide features that are waterproof, dustproof, shockproof, and drop-resistant.

DP10 (Industrial rugged tablet computers) 	1. Equipped with the MEDIATEK i350 processor and Android 12 operating system. Energy saving and power saving design, and has high battery life. 2. 8" LCD and multi-touch capacitive touch screen with readable technology in strong light 3. 4GB LPDDR4 RAM/ 128GB eMMC, Micro SD memory card is also supported (up to 256GB). 4. Equipped with five sensors: Magnetic, Accelerometer, Gyro, Proximity, and Light. 5. Comprehensive online capability, supporting Bluetooth®, WLAN and GNSS. 6. Supports one group of USB 2.0 Type-A, one USB 2.0 Type-C, and one Micro HDMI port each. 7. Dual lens design, front lens 5 million pixels, rear lens 13 million pixels 8. Long-lasting lithium-ion battery has the characteristics of long-lasting power and convenient disassembly 9. Military certified MIL-STD-810H and IP65 10. Support for Drones 11. The inventory planning includes multiple battery charging docks, sunshades, and hanging ropes.

◆ Estimated R&D expenses: The estimated R&D expenses are initially estimated to be 3% of the annual net operating revenue, including testing expenses, layout and software expenses related to product industrial and military specifications.

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

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

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

The Company has a Marketing Department dedicated to collecting the latest industrial trends and market information, and an Information Office dedicated to maintaining the information and communication security risks. In addition, the Company has a strong management team and experienced and high-quality professionals with deep experience in market development, customer mastery, marketing management and even the ability to respond to changes in industrial climate, so that the Company can sensitively grasp the market pulse, customer demand, technological development and industrial supply and demand, actively integrate and introduce advanced products and technologies as professional supplier and marketer,

and provide timely and stable supply and application technical support services. In addition, as the company operates in rugged notebook computers with small quantity, diverse design and various customization, on the whole, technological changes (including information and communication security risks) and industrial changes have no significant impact on the company's financial business.

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

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

In addition, the Company has set up responsible departments to integrate the strength of the whole company, strive to enhance on the basis of the existing good corporate image, and make various response preparations to prevent and control potential crises.

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

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

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

◆ Purchase: The Company shall purchase raw materials from different suppliers as far as possible to ensure that the supply of raw materials is sufficient without the risk of shortage, and reduce the risk of concentrated purchase. At the same time, the Company also prevents supply crisis by monitoring inventory status. In order to reduce the potential risk of price rise, the company also continues to find other purchase methods to reduce the risk of concentrated procurement.

◆ Sales: if the proportion of a few customers in the overall revenue is too high, the unexpected business reduction of major customers may affect the company's operating performance. Therefore, the company takes the customer partnership as the core strategy and works closely with customers to improve the overall value, hoping to minimize the possibility of such risks.

(X) The impact, risks and countermeasures of a large number of equity transfers or changes by directors, supervisors or major shareholders holding more than 10% of the shares on the Company:

◆ The impact and risk of a large number of equity transfers or changes by Directors,

supervisors or major shareholders holding more than 10% on the Company: There is no such case in the Company at present.

◆ Response measures: In addition to having Independent Directors, the Company has continuously strengthened corporate governance to establish a more open and transparent business constitution, in order to minimize the impact of such risks on the Company.

(XI) The impact, risks and countermeasures of the change of management right on the Company: The Company has not changed its management right since its establishment.

(XII) Litigation or non-litigation events

◆ In the last two years and up to the date of printing of the annual report, the litigation, non-litigation or administrative litigation events that have been adjudicated or are still in progress, and the results may have a significant impact on shareholders' equity or securities prices: None.

◆ Directors, supervisors, general managers, major shareholders with a shareholding ratio of more than 10% and affiliated companies of the Company have been adjudicated or are still in litigation, non-litigation or administrative litigation events in the last two years and up to the date of publication of the annual report, and the results may have a significant impact on the rights and interests of shareholders or securities prices of the Company: None.

◆ Directors, supervisors, managers and major shareholders holding more than 10% of the Company's shares, and any of the events specified in Article 157 of the Securities and Exchange Act occurred in the most recent two years and up to the date of printing of the annual report: None.

(XIII) Other important risks and countermeasures:

1. Although the Company does not have a clear risk management organization, according to the daily operation of the Company, the risk control is divided into three levels (mechanism): The organizer or the contractor is the first mechanism to take the initial risk discovery, evaluation and control of the operation to consider the design and prevention responsibility. The second mechanism is that the general manager and deputy general manager preside over, decide or cross-department meetings. In addition to being responsible for feasibility evaluation, it also includes the evaluation of various risks. The third mechanism is the review of the Audit Office and the deliberation of the directors.
2. At present, the Company does not have a Chief Risk Officer. Its purpose is to adopt comprehensive risk control, rather than one-person control, to implement risk control. For important risk assessment matters, if necessary, the HR Department (also in charge of legal affairs) will be held to carry out risk detection, evaluation and prevention suggestions. If there is an immediate possible risk, it can also be reported to the superior immediately for proper prevention. Extremely important matters shall be submitted to the Board of Directors for discussion.

3. The risk control is shown in the table below:

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

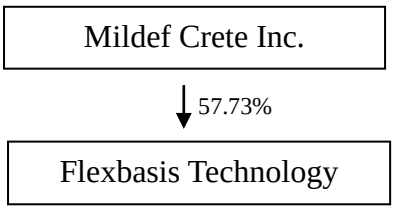
VII. Other important matters

Chapter 8 Special records

I. Data of related enterprises

Overview of affiliated enterprises: As of December 31, 2023

(I) Organization chart of affiliated enterprises:



(II) Basic information of affiliated enterprises:

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

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

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

Enterprise name	Title	Name	Number of shares held (shares)	Shareholding ratio (%)
Flexbasis Technology	Chairman	Yong-Xiang Zhou	280,000	7.57
	Director	Mildef Crete Inc.	2,136,000	57.73
		Representative: Yi-Tong Shen	0	0
	Director	Wei Liang	296,000	8.00
	Director	Jia-Hong Lu	100,000	2.70
	Supervisor	Quan-Xiong Li	233,000	6.30

(V) Operational overview of affiliated companies:

December 31, 2023 / NT$1,000

Enterprise name	Total assets	Total liabilities	Total equity	Operating revenue	Current net profit
Flexbasis Technology	149,489	35,834	113,655	172,410	44,704

(VI) Business report and consolidated financial statements of related enterprises: please refer to page 171 of this annual report

(VII) Relationship report

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

II. In the most recent year and up to the date of printing of the annual report, the handling of private placement of securities shall disclose the date and amount adopted by the shareholders' meeting or the board of directors, the basis and rationality of the price, the method of selection of specific persons, the necessary reasons for handling private placement, the object of private placement, qualification conditions, the number of subscriptions, the relationship with the company, the participation in the company's operation, the actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the impact of private placement on shareholders' equity, the use of funds, the progress of plan implementation and the manifestation of plan benefits of private placement of securities from the time of full receipt of share funds or prices to the completion of the fund application plan: None.

III. In the most recent year and up to the printing date of the annual report, the subsidiaries held or disposed of shares of the Company: No such circumstance.

IV. In the most recent year and up to the date of printing of the annual report, whether the company has any events that have a significant impact on shareholders' equity or securities prices as specified in subparagraph 2, paragraph 3, Article 36 of the Securities and Exchange Act: None.

V. Other necessary additional clarifications

(I) Impairment evaluation of accounts receivable

◆ Since domestic sales are sold directly to consumers through the stores, most of the payment is made in cash or by credit card, and there is no collection problem, so there is no risk of impairment in the evaluation.

◆ For the first transaction of export customers, the payment for goods shall be collected in advance to reduce the risk.

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

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

Except for all inventories placed in scrap warehouse and idle stock warehouse, 100% stock loss is provided, the stock loss of other normal inventories is evaluated once a month according to the following table based on the aging amount and industrial characteristics.

Inventory items	Merchandise	Raw materials, semi-finished products and finished products	Work in process
Less than 6 months	-	-	-
6 months ~ 1 year	50%	-	-
More than 1 year	100%	-	
9 months ~ 1 year		5%	
1 ~ 1.5 years		15%	
1.5 ~ 2 years		20%	
2 years ~ 2.5 years		40%	
More than 2.5 years		100%	
No order			
0.5 year ~ 9 months			60%
9 months ~ 1 year			80%
More than 1 year			100%
Order received			Provision method for raw materials, semi-finished products, and finished goods.
EOL procurement		No provision within 3 years, and an increase of 20% per year for more than 3 years	

(III) Property, plant and equipment

1. Recognition and measurement

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

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

2. Subsequent cost

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

maintenance of property, plant and equipment is recognized as profit or loss when incurred.

3. Depreciation

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

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

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

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

(IV) The Company does not adopt hedge accounting.

(V) Uncompleted TPEx-listing commitments: None.

Certified Public Accountant's Audit Report

To the Board of Directors of Mildef Crete Inc.:

Opinion

We have audited 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 Mei-Yan Chen
Competent Securities Authority's Approval Document No.	:	FSC Review Letter No.1060005191. (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

	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**

	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

		Fiscal Year 2023		Fiscal Year 2022	
		Amount	%	Amount	%
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**

	Fiscal Year 2023	Fiscal Year 2022
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**

Certified Public Accountant's Audit Report

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

Opinion

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

In our opinion, the aforementioned parent company only financial statements have been prepared in all material aspects according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. They fairly present financial position of Mildef Crete Inc. as of December 31, 2023 and 2022, its financial performance and cash flow for the periods from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of Mildef Crete Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Inventory Valuation

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

Explanations of key audit matters:

Inventories shall be measured based on the cost or the net realizable value whichever is lower. Mildef Crete Inc. is engaged in manufacturing and selling rugged computers. Generally, the life

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

Corresponding audit procedures:

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

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

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

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

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

Accountants' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high degree of assurance, but audits performed in accordance with audit standards cannot guarantee that the existence of material misstatements in an audit will be detected. Misstatements might arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the governing body, we determine those matters that are significant in the audit of the parent company only financial statements of Mildef Crete Inc. of year 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Taiwan

CPA	:	Ching-Wen Kao Mei-Yan Chen
Competent Securities Authority's Approval Document No. March 13, 2024	:	FSC Review Letter No.1060005191. (88) Tai-Cai-Zheng (VI) No. 18311

Mildef Crete Inc.

Balance Sheets

December 31, 2023

Unit: NT$1000

	Assets	2023.12.31 Amount	%	2022.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 217,417	6	428,173	13
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))	119,101	4	95,529	3
1180	Accounts receivable - related parties, net (Notes 6 (3) & (15), 7)	310,481	9	11,683	-
1212	Other payables-related party (Note 7)	5,015	-	-	-
130X	Inventories (Note 6 (4))	1,247,797	37	1,065,668	33
1476	Other financial assets - current (Note 6 (1))	206,100	6	206,100	6
1479	Other current assets	16,166	-	25,009	1
	Total current assets	2,122,077	62	1,852,192	57
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))	865,975	25	1,054,500	32
1550	Investments accounted for using the equity method (Note 6 (5))	38,894	1	30,007	1
1600	Property, plant and equipment (Notes 6 (6) and 7)	227,564	7	222,025	7
1755	Right-of-use assets (Note 6 (7))	57,812	2	34,840	1
1780	Intangible assets (Note 6 (8))	3,678	-	7,146	-
1840	Deferred income tax assets (Note 6 (12))	73,317	2	64,025	2
1900	Other non-current assets (Notes 7 and 8)	41,606	1	5,050	-
	Total non-current assets	1,308,846	38	1,417,593	43
	Total assets	**$ 3,430,923**	**100**	**3,269,785**	**100**

	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	8
2150	Notes payable	30,480	-	47,670	-
2170	Accounts payable (Note 7)	120,498	4	152,666	5
2209	Other payables (Notes 6 (16) and 7)	136,928	4	98,459	3
2230	Current income tax liabilities	99,638	3	36,230	1
2280	Lease liabilities - current (Note 6 (9))	28,762	1	21,316	1
2399	Other current liabilities	387	-	393	-
	Total current liabilities	654,332	19	603,398	18
	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))	29,127	1	13,550	1
2640	Net defined benefit liabilities – non-current (Note 6 (11))	30,301	1	28,737	1
	Total non-current liabilities	239,413	7	253,266	8
	Total liabilities	893,745	26	856,664	26
	Equity (Note 6 (13)):				
3100	Share capital	586,855	17	586,855	18
3200	Capital surplus	74,113	2	72,650	2
3300	Retained earnings	1,634,564	48	1,372,791	42
3400	Other equity	241,646	7	380,825	12
	Total equity	2,537,178	74	2,413,121	74
	Total liabilities and equity	**$ 3,430,923**	**100**	**3,269,785**	**100**

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

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

Mildef Crete Inc.

Statements of Comprehensive Income

January 1 to December 31 of 2023 and 2022

Unit: NT$1000

		Fiscal Year 2023		Fiscal Year 2022	
		Amount	%	Amount	%
4000	**Operating revenue (Notes 6 (15) and 7)**	$ 2,984,261	100	2,706,970	100
5000	**Operating cost (Notes 6 (4), (6), (7), (8), (10), (11), (16), 7 and 12)**	2,125,367	71	2,182,095	81
	Gross operating profit	858,894	29	524,875	19
5910	Less: Unrealized gain from sales	267	-	-	-
	Realized gross operating profit	858,627	29	524,875	19
	Operating expenses (Notes 6 (6), (7), (8), (9), (11), (16), 7 and 12):				
6100	Selling and marketing expenses	162,821	5	175,311	6
6200	General and administrative expenses	52,238	2	41,035	1
6300	Research and development expenses	85,565	3	69,796	3
	Total operating expenses	300,624	10	286,142	10
	Net operating profit	558,003	19	238,733	9
	Non-operating income and expenses:				
7100	Interest income (Note 6 (17))	9,371	-	8,827	-
7010	Other income (Notes 6 (9) and (17))	7,580	-	18,094	1
7020	Other gains and losses (Notes 6 (17) and (18))	(9,330)	-	13,383	1
7375	Recognition of profits from subsidiary companies using the equity method	6,571	-	13,382	-
7510	Finance costs (Notes 6 (9) and (17))	(539)	-	(479)	-
	Total non-operating income and expenses	13,653	-	53,207	2
	Net profit before tax	571,656	19	291,940	11
7950	**Minus: Income tax expense (Note 6 (12))**	110,828	4	63,670	3
	Current net profit	460,828	15	228,270	8
8300	**Other comprehensive income (Notes 6 (11), (12), (13), and (18)):**				
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 related to items not reclassified	(31,357)	(1)	70,159	2
	Total amount of items not reclassified to profit or loss	(126,986)	(4)	275,771	11
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 related to potentially reclassifiable items	-	-	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	20	-	-	-
8300	**Other comprehensive income**	(126,966)	(4)	275,771	11
	Total amount of other current comprehensive gains and losses	**$ 333,862**	**11**	**504,041**	**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 notes to the standalone financial statements)

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

Mildef Crete Inc.

Statement of Changes in Equity

January 1 to December 31 of 2023 and 2022

Unit: NT$1000

			Retained earnings				Other Equity Items				
	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
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
Current net profit	-	-	-	-	228,270	228,270	-	-	-	-	228,270
Other comprehensive income	-	-	-	-	-	-	-	263,409	12,362	275,771	275,771
Total amount of other current comprehensive gains and losses	-	-	-	-	228,270	228,270	-	263,409	12,362	275,771	504,041
Appropriation and distribution of earnings:											
Legal reserve	-	-	63,570	-	(63,570)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(44,942)	44,942	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(217,137)	(217,137)	-	-	-	-	(217,137)
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
Current net profit	-	-	-	-	460,828	460,828	-	-	-	-	460,828
Other comprehensive income	-	-	-	-	-	-	20	(123,238)	(3,748)	(126,966)	(126,966)
Total amount of other current comprehensive gains and losses	-	-	-	-	460,828	460,828	20	(123,238)	(3,748)	(126,966)	333,862
Appropriation and distribution of earnings:											
Legal reserve	-	-	22,827	-	(22,827)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(211,268)	(211,268)	-	-	-	-	(211,268)
Differences between equity price paid and book value of subsidiaries disposed of	-	1,463	-	-	-	-	-	-	-	-	1,463
Disposal of equity instruments designated at fair value through other comprehensive income(Note 6 (2))	-	-	-	-	12,213	12,213	-	(12,213)	-	(12,213)	-
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**

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

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

Mildef Crete Inc.

Statement of Cash Flow

January 1 to December 31 of 2023 and 2022

Unit: NT$1000

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

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

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

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

I. Company History

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

II. Date and Procedure for Approval of Financial Statements

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

III. Application of New and Amended Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and Amendments to IFRS 17
- Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"
- Amendments to IAS 21 "Lack of Exchangeability"

IV. Summary of Significant Accounting Policies

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

(I) Declaration of compliance

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

(II) Basis of preparation

1. Basis of measurement

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

(1) Financial assets measured at fair value through profit or loss
(2) Financial assets at fair value through other comprehensive income
(3) Net defined benefit liabilities are measured at the present value of defined benefit obligations, and the effect of the cap referred to Note 4 (15) less the fair value of pension fund assets.

2. Functional currencies and presentation currencies

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

(III) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are converted into functional currencies at the exchange rates of the trading day. Foreign currency monetary items at the end of each subsequent reporting period (hereinafter referred to as the "reporting date") are translated into functional currencies at the exchange rate on that date. Foreign currency non-monetary items measured at fair value are converted into functional currency at the exchange rate on the date when the fair value is measured, while foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction. Foreign currency exchange differences resulting from conversion are normally recognized in profit and loss, except for equity instruments that are designated as being measured at fair value through other comprehensive income.

2. Foreign operating institutions

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

When the disposal of a foreign operating institution results in a loss of significant influence, the accumulated exchange difference related to the foreign operating institution shall be fully reclassified to profit or loss. When partial disposal includes investments in associates of foreign operating institutions, the relevant accumulated exchange difference shall be classified proportionally into profit and loss.

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

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

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

1. Expected to be realized in the normal operating cycle of the Company, or intended to sell or consume it.
2. Held primarily for trading purposes.
3. Expected to be achieved within 12 months after the reporting period.

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

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

1. Expected to be settled in the normal operating cycle of the Company.
2. Held primarily for trading purposes.
3. Those repayment due in 12 months after the reporting period.
4. The Company does not have the unconditional right to extend the repayment period of liabilities for at least twelve months after the reporting period. The counterparty has the option to settle the liabilities by issuing equity instruments, without impacting their classification.

(IV) Cash and cash equivalents

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

(V) Financial instruments

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

1. Financial assets

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

(1) Financial assets at amortization cost

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

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

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

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

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

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

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

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

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income (such as those held for trading and those managed and evaluated for performance on a fair value basis), including derivative financial assets, are measured at fair value through profit or loss. At the time of initial recognition, the Company irrevocably designated the financial assets that meet the fair value measurement conditions according to the cost after amortization or other comprehensive income as financial assets measured at fair value through profit or loss, in order to eliminate or significantly reduce accounting mismatch.

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

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

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

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

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

(5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(6) Derecognition of financial assets

The Company de-recognizes financial assets only when the contractual right of the cash flow from the asset is terminated, or the financial asset has been transferred while substantially all the risks and rewards of the ownership of the asset have been transferred to other enterprises, or substantially all the risks and rewards of the ownership have not been transferred or retained and the control of the financial asset has not been retained.

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

2. Financial liabilities

(1) Financial liabilities

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

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

(2) Derecognition of financial liabilities

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

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

(3) Offset of financial assets and liabilities

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

(VII) Inventories

The original cost of inventories is the necessary expense to bring the inventories to the location in which they are available for sale or production. The fixed production overheads are amortized into finished good and work in process according to the normal capacity of production facilities, while the variable production overheads are amortized based on the actual production output. Thereafter, it is calculated at the lower of the cost and net realizable value. The cost is calculated by the monthly weighted average method. The net realizable value is calculated on the basis of the estimated selling price under normal business conditions at the balance sheet date less the cost and selling expenses that need to be invested until completion.

(VIII) Investment in Subsidiary

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

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

(IX) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. Subsequent costs

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

3. Depreciation

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

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

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

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

(X) Leases

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

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

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

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

Lease benefits measured by lease liabilities include:

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

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

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

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

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

With respect to short-term leases of parking spaces, the Company chooses not to recognize the right-of-use assets and lease liabilities, but recognized the relevant lease benefits as expenses on a straight-line basis over the lease term.

(XI) Intangible assets

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

(XII) Impairment of Non-financial Assets

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

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

(XIII) Provision for Liabilities

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

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

(XIV) Revenue from customer contracts

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

1. Sale of goods - rugged computers

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

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

2. Sale of goods-business laptops

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

3. Labor service income

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

4. Financial component

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

(XV) Employee benefits

1. Defined contribution plan

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

2. Defined benefit plan

   The net obligation of the Company under the defined benefit plan is measured at the discounted value of the amount of future benefits earned by employees during the current or prior period of service, less the fair value of the plan assets.

The Company's defined benefit obligations are actuarially determined annually by a qualified actuarial practitioner using the projected unit benefit method. Where the result of the calculation may be beneficial to the Company, the asset is recognized to the extent of the present value of any economic benefits to be derived in the form refund of the plan's contribution or reduction of the future contributions from the plan. In calculating the present value of economic benefits, any minimum funding requirement shall be considered.

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

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

3. Short-term employee benefits

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

(XVI) Income tax

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

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

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

1. Assets or liabilities that are not initially recognized in transactions that are not business combinations and do not (i) impact accounting profit and taxable income (loss) at the time of the transaction, and (ii) do not create equal temporary differences for taxable and deductible purposes.
2. Temporary differences arising from investments in interests of subsidiaries, associates and joint venture, and the Company may control the point in time at which temporary difference is reversed and is probable not to reverse in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

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

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

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

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

(XVII) Earnings per share

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

(XVIII) Segment Information

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

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

In preparing these parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the management must make judgments, estimates and assumptions which will have impacts on the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from estimates, and we will continually assess and adapt based on historical experience and other factors.

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

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

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

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	2023.12.31	2022.12.31
Cash on hand	$ 402	372
Checks and demand deposits	217,015	427,801
	$ 217,417	**428,173**

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

(II) Financial instruments

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

	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 measured at fair value through other comprehensive incomeincome — non-current

Financial assets measured at fair value through other comprehensive incomeincome:

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

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

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

	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	1,034,621

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

(III) Notes and accounts receivable (related parties)

	2023.12.31	2022.12.31
Notes and accounts receivable	$ 119,101	95,529
Accounts receivable from related parties	310,481	11,683
Less: Allowance for losses	-	-

	2023.12.31	2022.12.31
	$ 429,582	**107,212**

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

	2023.12.31		
	Carrying amount of notes and accounts receivable	**Weighted average expected credit loss ratio**	**Allowance for lifetime expected credit losses**
Not past due	$ 395,273	0.00000%	-
Payment is due within 30 days	34,309	0.00003%	-
	$ 429,582		-

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

The changes in allowance for loss on notes receivable and accounts receivable 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	$ 111,024	181,895
Finished goods	797	3,051
Semi-finished goods	128,256	153,820
Work in process	382,176	231,888
Raw materials	625,544	495,014
	$ 1,247,797	**1,065,668**

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

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

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

(V) Investments accounted for using the equity method

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

	2023.12.31	2022.12.31
Subsidiaries	**$ 38,894**	**30,007**

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

(VI) Property, plant and equipment

	Land	Houses and Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost:							
Balance on January 1, 2023	$ 147,478	72,775	61,146	6,042	596	80,573	368,610
Additions	-	2,834	4,649	-	1,250	11,933	20,666
Disposal	-	-	(290)	-	-	(5,356)	(5,646)
Balance on December 31, 2023	**$ 147,478**	**75,609**	**65,505**	**6,042**	**1,846**	**87,150**	**383,630**
Balance on January 1, 2022	$ 147,478	72,299	57,748	6,042	596	69,739	353,902
Additions	-	476	3,398	-	-	11,419	15,293
Disposal	-	-	-	-	-	(585)	(585)
Balance on December 31, 2022	**$ 147,478**	**72,775**	**61,146**	**6,042**	**596**	**80,573**	**368,610**
Accumulated depreciation:							
Balance on January 1,	$ -	27,169	50,038	4,508	285	64,585	146,585

	Land	Houses and Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
2023							
Depreciation for current year	-	2,925	2,452	607	139	8,941	15,064
Disposal	-	-	(273)	-	-	(5,310)	(5,583)
Balance on December 31, 2023	**$ -**	**30,094**	**52,217**	**5,115**	**424**	**68,216**	**156,066**
Balance on January 1, 2022	$ -	24,824	47,275	3,599	243	57,371	133,312
Depreciation for current year	-	2,345	2,763	909	42	7,799	13,858

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

(VII) Right-of-use assets

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

	Houses and Buildings
Cost of right-of-use assets:	
Balance on January 1, 2023	$ 123,314
Additions	51,276
Decrease	(1,777)
Balance on December 31, 2023	**$ 172,813**
Balance on January 1, 2022	$ 110,228
Additions	34,880
Lease modification	(55)
Decrease	(21,739)
Balance on December 31, 2022	**$ 123,314**
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2023	$ 88,474
Depreciation in this period	28,304
Decrease	(1,777)

	Houses and Buildings
Balance on December 31, 2023	**$ 115,001**
Balance on January 1, 2022	$ 76,412
Depreciation in this period	27,649
Decrease	(15,587)
Balance on December 31, 2022	**$ 88,474**
Book value:	
December 31, 2023	**$ 57,812**
January 1, 2022	**$ 33,816**
December 31, 2022	**$ 34,840**

(VIII) Intangible assets

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

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	$ 1,307	1,161
Operating expenses	3,236	3,978
Total	**$ 4,543**	**5,139**

(IX) Lease liabilities

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

	2023.12.31	2022.12.31
Current	$ 28,762	21,316
Non-current	$ 29,127	13,550

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

The amount recognized in profit or loss is as follows:

	Fiscal Year 2023	Fiscal Year 2022
Interest expenses on lease liabilities	$ 491	462
Short-term lease expenses	$ 269	307
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	$ 29,013	28,395

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

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

(X) Provision for Liabilities

	Warranty
Balance on January 1, 2023	$ 6,855
Provision for new liabilities in the current period	10,424
Provision for liabilities used in the current period	(4,127)
Balance on December 31, 2023	$ 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 Group expects that most of the liabilities will occur successively 1-2 years after the sales.

(XI) Employee benefits

1. Defined benefit plan

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

	2023.12.31	2022.12.31
Present value of defined benefit obligation	$ 87,674	96,319
Fair value of planned assets	(57,373)	(67,582)
Net defined benefit liabilities	**$ 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 appropriated by the Company in accordance with the Labor Standards Act, is subject to the unified management by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," as the operation of the fund, the annual minimum income allocated shall not be lower than the accumulated interest calculated at the average yearly rate of the local bank's two-year time deposit rate in the same period.

As of December 31, 2023 and 2022, the balance of the Consolidated Company's banking labor retirement reserve account in Taiwan amounted to NT$57,373,000 and NT$67,582,000, respectively. For information on the utilization of the assets of the Labor Retirement Fund (including the fund's earning rate and asset allocation), please refer to the information published on the website of the Bureau of Labor Fund.

(2) Changes in present value of defined benefit obligations

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

	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 losses (gains) arising from adjustments based on experience	3,960	(810)

	Fiscal Year 2023	Fiscal Year 2022
— Actuarial losses (gains) arising from changes in demographic 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 defined benefit 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 Company had no cap asset effect change in the 2023 defined benefit plan and the 2022 defined benefit plan.

(5) Expense recognized and included in profit or loss

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

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

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

(7) Sensitivity analysis

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

	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. Under such plan, upon appropriation of the fixed amount to the Bureau of Labor Insurance, the Company shall bear no statutory or constructive obligation to pay an additional amount.

The retirement expenses under our company's retirement pension scheme for fiscal years 2023 and 2022 were NT$10,827,000 and NT$10,765,000, respectively.

(XII) Income tax

1. Income tax expenses

The details of income tax expenses of the Company for 2023 and 2022 are as follows:

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

Details of income tax expense recognized under other comprehensive income 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	-
Total	**$ (31,357)**	**70,159**

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

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

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	53,679	5,667	64,025
Statement of profit or loss - credit (debit)	(624)	5,020	3,959	8,355
Other comprehensive income - credit (debit)	937	-	-	937
December 31, 2023	**$ 4,992**	**58,699**	**9,626**	**73,317**
January 1, 2022	$ 9,528	50,940	6,076	66,544
Statement of profit or loss - credit (debit)	(1,759)	2,739	(409)	571
Other comprehensive income - credit (debit)	(3,090)	-	-	(3,090)
December 31, 2022	**$ 4,679**	**53,679**	**5,667**	**64,025**

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 income - debit (credit)	(33,473)
December 31, 2023	**$ 166,833**
January 1, 2022	$ 137,055
Other comprehensive income - 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

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

	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.

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

	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 Board of Directors proposed the following earning distribution scheme for 2023:

	Fiscal Year 2023	
	Dividend per share (NT$)	**Amount**
Dividends distributed to owners of ordinary shares:		
Cash	$ 5.40	**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 income	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 loss on financial assets at fair value through other comprehensive income	-	(123,238)	-	(123,238)
Determination of net after tax actuarial gains and losses of benefit plans	-	-	(3,748)	(3,748)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(12,213)	-	(12,213)
Balance on December 31, 2023	**$ 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 income	-	263,409	-	263,409
Determination of net after tax actuarial gains and losses of benefit plans	-	-	12,362	12,362
Balance on December 31, 2022	**$ -**	**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**

	Fiscal Year 2023	Fiscal Year 2022
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685
The effect of employee remuneration	852	861
Weighted average number of outstanding ordinary shares (After adjustment for the effect of dilutive potential ordinary shares)	**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
Major sales market:		
Taiwan	$ 1,836,053	1,989,277
Germany	785,726	336,373
The UK	106,802	56,932
Sweden	100,917	117,723
U.S.	93,275	195,646
Others	61,488	11,019
	$ 2,984,261	**2,706,970**
Main product/service lines:		
Business computer	$ 1,432,326	1,790,672
Rugged computer	1,491,564	846,588
Repair and maintenance services and others	60,371	69,710
	$ 2,984,261	**2,706,970**

2. Contract balance

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

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

Contract liabilities are mainly generated by advance receipts from the sale of rugged computers, which will be transferred to income by the Company at the delivery of products. The initial balance of contract liabilities on January 1, 2023 and 2022,

which were recognized as revenue in the fiscal year 2023 and 2022, respectively, amounted to NT$78,600,000 and NT$87,474,000, respectively.

(XVI) Remuneration to employees and directors

In accordance with the provisions of the Articles of Incorporation of the Company, in case of profit earned in the year, 5% ~ 10% of the profit shall be allocated as employee's remuneration, while no more than 3% of the profit shall be allocated as the director's remuneration. However, it shall reserve an amount to compensate a deficit in advance if the Company has a cumulative deficit. The recipients of the employee remuneration in stock or cash in the preceding paragraph include employees at subsidiaries who meet certain criteria.

The estimated amount of employee compensation of the Company for 2023 and 2022 amounted to NT$61,896,000 and NT$31,608,000, respectively. The director's estimated remuneration amounted to NT$12,634,000 and NT$6,335,000, respectively. The estimated amount is calculated on the net profit before tax of the Company, without deducting employee and director compensation, and multiplied by the distribution percentages of employee and director remuneration, as prescribed by the Articles of Incorporation of the Company. It is recognized and included as operating cost or operating expenses for 2023 and 2022. If the employee remuneration is issued in the form of shares, the number of shares allotted shall be calculated based on the closing market price of ordinary shares on the day ahead of the meeting of Board of Directors. In case of a difference between the actual amount allocated and the estimated amount, it shall be treated as a change in accounting estimates.

The remuneration of employees and directors assigned by the resolution of the Board of Directors of the Company does not differ from the aforementioned amount estimated in the 2023 and 2022 financial statements of the Company, and is fully distributed in cash. For relevant information, please refer to the Market Observation Post System (MOPS).

(XVII) Non-operating income and expenses

1. Interest income

	Fiscal Year 2023	Fiscal Year 2022
Interest income		
Interest income from cash in banks	$ 4,977	2,838
Other interest income	4,394	5,989
	$ 9,371	**8,827**

2. Other income

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

3. Other gains and losses

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

4. Financial cost

	Fiscal Year 2023	Fiscal Year 2022
Interest expense		
Lease liabilities	$ (491)	(462)
Others	(48)	(17)
	$ (539)	**(479)**

(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	217,417	428,173
Notes and accounts receivable (related parties)	429,582	107,212
Other payables (including related parties)	5,015	-
Other financial assets - current	206,100	206,100
Other non-current assets - guarantee deposits paid	7,439	5,050
Total	**$ 1,731,528**	**1,821,065**

(2) Financial liabilities

	2023.12.31	2022.12.31
Financial liabilities at amortized cost:		
Lease liabilities	$ 57,889	34,886

	2023.12.31	2022.12.31
Notes and accounts payable (including related parties)	150,978	200,336
Other payables (including related parties)	136,928	98,459
Total	**$ 345,795**	**333,681**

2. Credit risk

(1) Exposure to credit risk

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

(2) Concentration of credit risk

A significant concentration of credit risk that occurs when the trading counterpart to a financial instrument has a significant concentration of one person, or when there are several counterparts to a financial instrument. Most of them are engaged in similar commercial activities and have similar economic characteristics, so their ability to perform their contracts is similarly affected by economic or other conditions. Of the net accounts receivable (including accounts receivable from related parties) of the Consolidated Company as of December 31, 2023 and 2022, a total of 99% and 88% were composed of four of the clients, which made the Consolidated Company have a concentration of credit risk. In order to reduce credit risk, the Consolidated Company continuously assesses the financial position of clients and strictly monitors the credit line.

3. Liquidity risk

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

	Contractual cash flows	Less than 6 months	6-12 months	1-2 year(s)	2 to 5 years	Over 5 years
December 31, 2023						
Notes and accounts payable (including related parties)	$ (150,978)	(150,978)	-	-	-	-
Lease liabilities	(59,076)	(15,243)	(14,173)	(17,348)	(12,312)	-
Other payables (including related parties)	(136,928)	(136,928)	-	-	-	-
	$ (346,982)	**(303,149)**	**(14,173)**	**(17,348)**	**(12,312)**	**-**
December 31, 2022						
Notes and accounts payable (including related parties)	$ (200,336)	(200,336)	-	-	-	-
Lease liabilities	(35,335)	(13,896)	(7,719)	(9,087)	(4,633)	-
Other payables (including related parties)	(98,459)	(98,459)	-	-	-	-
	$ (334,130)	**(312,691)**	**(7,719)**	**(9,087)**	**(4,633)**	**-**

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

4. Exchange rate risk

(1) Risk exposures of foreign exchange rate risk

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

	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 exchange rate risk of the Company is mainly derived from cash and cash equivalents denominated in foreign currencies, accounts receivable (including related parties), accounts payable, and other payables (including related parties), where gains and losses may occur at foreign currency exchange. As of December 31, 2023 and 2022, at the premise that the NT$ depreciation or appreciation against US$ by 1%, while all other factors remain unchanged, the net profit before tax for 2023 and 2022 will increase or decrease by NT$4,162,000 and NT$1,474,000, respectively. The same basis was used for analyses for both periods.

(3) Exchange gains or losses incurred from monetary items

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

5. Interest rate risk

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

6. Fair value information

(1) Financial instruments not at fair value

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

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

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

A. Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

B. Level 2: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices) for assets or liabilities.

C. Level 3: Unobservable inputs for assets or liabilities not based on observable market data (unobservable inputs).

	2023.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - non-current					
Unlisted stocks	$ 18,262	-	-	18,262	18,262
Overseas stocks	847,713	847,713	-	-	847,713
	$ 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
	$ 1,054,500	**1,034,681**	**-**	**19,819**	**1,054,500**

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

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

When the quoted market price of a financial instrument is available, the price shall be adopted as the fair value.

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

Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Company refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the balance sheet date.

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

(4) Details of changes in the level 3

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

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

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

Quantitative information on significant unobservable inputs is listed as follows:

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

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

The Company's fair value measurement of financial instruments is reasonable. However, the adoption of different valuation approaches or valuation parameters may result in different valuation results. For the financial instruments classified as Level 3 in 2023 and 2022, in case of changes in the valuation parameters, the impact on other comprehensive income in the current period is as follows:

	Input	Increase or decrease change	Changes in fair value reflected in other comprehensive income	
			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**

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

(XIX) Financial risk management

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

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

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

1. Credit risk

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

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

2. Liquidity risk

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

3. Market risk

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

(1) Exchange rate risk

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

(2) Interest rate risk

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

(3) Other market risks

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

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

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

The sensitivity analysis of equity instrument price risk is based on changes in fair value at the end of the financial reporting period. If the prices of equity instruments increase or decrease by 5%, the amounts of other comprehensive income for fiscal years 2023 and 2022 will increase or decrease by NT$42,386 and NT$51,734, respectively.

(XX) Capital management

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

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

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

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

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

1. Please refer to Note 6 (7) 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	Decrease	2023.12.31
Lease liabilities	**$ 34,866**	**(28,253)**	**51,276**	**-**	**57,889**

			Non-cash changes		
	2022.1.1	Cash flows	Additions	Decrease	2022.12.31
Lease liabilities	**$ 33,819**	**(27,626)**	**34,825**	**(6,152)**	**34,866**

VII. Related-Party Transactions

(I) Name of related party and relations

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

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

(II) Significant Transactions with Related Parties

1. Operating revenue

	Fiscal Year 2023	Fiscal Year 2022
Subsidiaries	$ 47,817	-
Other related parties		
Roda Computer GmbH	781,274	336,373
	$ 829,091	**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, has been extended to up to 90 days starting from July 2023 based on the sales conditions.

2. Purchase

	Fiscal Year 2023	Fiscal Year 2022
Subsidiaries	**$ 170,275**	**65,547**

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

3. Accounts receivable from related parties

	2023.12.31	2022.12.31
Subsidiaries	$ 1,044	-
Other related parties		
Roda Computer GmbH	309,437	11,683
	$ 310,481	**11,683**

4. Other payables (including related parties)

	2023.12.31	2022.12.31
Subsidiaries	$ 11	-
Roda Computer GmbH	5,004	-
	$ 5,015	**-**

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

5. Property, plant and equipment

	2023.12.31	2022.12.31
Subsidiaries	**$ 100**	**-**

The company acquired various equipment from its subsidiary.

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

	2023.12.31	2022.12.31
Subsidiaries	**$ 270**	**-**

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

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

	2023.12.31	2022.12.31
Subsidiaries	**$ 11,322**	**3,479**

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

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

9. Maintenance and other income

	Maintenance and other income	
	Fiscal Year 2023	Fiscal Year 2022
Subsidiaries	$ 455	-
Other related parties	4,452	3,490
	$ 4,907	**3,490**

All receivables from the above transactions have been received.

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

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

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

(III) Remuneration to key management personnel

	Fiscal Year 2023	Fiscal Year 2022
Short-term employee benefits	$ 21,684	17,314
Post-employment benefits	297	108
	$ 21,981	**17,422**

VIII. Pledged Assets

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

Name of asset	Item pledged as collateral	2023.12.31	2022.12.31
Time deposit	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, depreciation, and amortization expenses by functions are summarized as follows:

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

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

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

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

(I) The Company has established a Remuneration Committee, which is responsible for reviewing the Company's overall remuneration, the remuneration of directors, senior managers, and the form of remuneration payment.

(II) The directors of the Company are unpaid officers, and their remuneration shall be paid in accordance with Article 20 of the Articles of Incorporation. The performance policy rationality of the remuneration of director is mainly based on the approach and procedure for the performance evaluation of the Board of Directors, the overall operational performance of the Company, and the future operational needs and development of the industry. Reasonable remuneration shall be given, taking the contribution of individuals to the operation of the Company into consideration, subject to the professional deliberation of the Remuneration Committee, and to be reviewed and approved by the Board of Directors.

(III) The remuneration paid to the independent directors of the Company shall be reasonable based on the evaluation results of the "Remuneration Management Measures for Directors and Managers", considering the time invested by individual independent directors. The remuneration standard and composition of independent directors shall be reported to the Board of Directors for resolution after being approved by the Remuneration Committee. The remuneration paid to the independent directors of the Company shall be reasonable based on the evaluation results of the "Remuneration Management Measures for Directors and Managers", considering the time invested by individual independent directors. The remuneration standard and composition of independent directors shall be reported to the Board of Directors for resolution after being approved by the Remuneration Committee.

(IV) The appointment, dismissal and remuneration of the general manager and deputy general manager of the Company shall be approved by the Board of Directors in accordance with the regulations of the Company. The remuneration standard shall be agreed upon by Human Resource Department of the Company in accordance with the relevant policies of the Company's performance evaluation, based on individual performance and contribution to the overall operation of the Company, as well as the principles of the market standard, and shall be proposed to the Board of Directors after the resolution of the Remuneration Committee and approved by the Board of Directors.

(V) The Company's employee remuneration policy is based on the individual's competence, contribution to the Company, and performance. It is positively correlates with operating performance. The overall remuneration package mainly includes basic salary, bonuses, and employee remuneration. As for the standard of remuneration, the basic salary is determined based on the market review of the employee's position; the bonus and employee remuneration are issued in connection with the achievement of employee, department goals or the Company's business performance.

XIII. Additional Disclosures

(I) Information on Related Significant Transactions

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

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

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

Company	Type and name of securities held	Relations with the securities issuer	Account	End of the period			
				Number of shares	Carrying amount	Shareholding ratio	Fair value/ Net worth
The Company	Roda Computer GmbH Shares	The Company is one of the company's three shareholders	Financial assets at fair value through other comprehensive income - non-current	8	18,262	8.00 %	18,262
The Company	Alliance Technology Co., Ltd. Shares	-	〃	100	-	0.79 %	-
The Company	Mildef Group AB Shares	-	〃	4,196	847,713	10.53 %	847,713

4. Acquisition of Individual Property at Costs of at Least NT$300 Million or 20% of the Paid-in Capital: None.
5. Disposal of Individual Property at Costs of at Least NT$300 Million or 20% of the Paid-in Capital: None.
6. Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital:

Unit: NT$1000

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

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

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

Unit: NT$1000

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

8. Trading in Derivative Instruments: None.

(II) Information on Investees:

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

Unit: In thousands of shares/thousands of NT$

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

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

(IV) Information on Major Shareholders:

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

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

XIV. Segment Information

Please refer to the 2023 Consolidated Financial Report.

Mildef Crete Inc.

Detailed Statement of Cash and Cash Equivalents

December 31, 2023 **Unit: NT$1000**

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

Mildef Crete Inc.

Detailed Statement of Accounts Receivable

December 31, 2023 **Unit: NT$1000**

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

Detailed Statement of Inventories

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

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

Mildef Crete Inc.

Detailed Statement of Other Current Assets

December 31, 2023

Unit: NT$1000

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

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

January 1 to December 31 of 2023

	Beginning of period		Increase in the current period		Decrease in the current period		End of the period		
Name	Number of shares (thousand shares)	Fair value	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Fair value	Offering Guarantees or Pledges
Roda Computer GmbH	8	$ 18,819	-	-	-	(557)	8	18,262	None
Mildef Group AB	4,356	1,034,681	-	-	(160)	(186,968) (Note)	4,196	847,713	None
Alliance Technology Co., Ltd	100	1,000	-	-	-	(1,000)	100	-	None
		$ 1,054,500		-		**(188,525)**		**865,975**	

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

Mildef Crete Inc.

Detailed Statement of Changes in Investments by the Equity Method

January 1 to December 31 of 2023 **Unit: NT$ thousand/thousands of shares**

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

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

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

Mildef Crete Inc.

Detailed Statement of Other Non-current Assets

December 31, 2022 and 2023

Unit: NT$1000

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

Contract liabilities statement

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

Detailed statement of notes payable

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

Mildef Crete Inc.

Detailed Statement of Accounts Payable

December 31, 2023

Unit: NT$1000

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

Detailed statement of other accounts payable

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

Detailed statement of lease liabilities

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

Mildef Crete Inc.

Detailed statement of operating costs

January 1 to December 31 of 2023

Unit: NT$1000

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

Mildef Crete Inc.

Detailed Statement of Operating Expense

January 1 to December 31 of 2023 **Unit: NT$1000**

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

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

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

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

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

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

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

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

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

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

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

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

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

茂訊電腦股份有限公司

Chairman: Yi-Tong Shen