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茂訊電腦股份有限公司

MilDef Crete Inc.

2021 Annual Report

Annual report website

TWSE MOPS: <http://mops.twse.com.tw>

Mildef Crete Website: <http://www.crete.com.tw>

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Mildef Crete Inc.

2021 Annual Operation Report

Dear sir/madam, shareholders, investors, and distinguished guests,

I'm glad to pay attention to and review the performance of Mildef Crete Inc. in 2021.

In a year of great changes in 2021, the epidemic continues to burn and wreak havoc in the world, human beings are continuously fighting against the novel coronavirus. Although the vaccine has been put on the market and the vaccination rate in various countries has gradually increased, it still cannot be restored. The global COVID-19 has claimed more than 5.8 million lives at the point time of preparing the annual report, and there is still panic.

This is a challenging year. In 2021, the Mildef Crete system department needs to face several global challenges at the same time: 1 The tight global supply chain has not improved, the supply of semiconductor chips is tight, and the price remains high. 2. The maintenance of high logistics and shipping prices has not eased, and shipping has also increased the transportation cycle time affected by the epidemic in various regions. 3. Inflation is happening. The international oil price has reached a new high this year due to the tense situation in Ukraine, which will then affect the expenditure in other supply chains. It is conceivable that the development of these international economic forms will affect the Mildef Crete systems division in 2021. After the system operation division reached a new high in 2020, the revenue fell slightly in 2021. However, we are confident in achieving growth in 2022 through the efforts of our global partners.

Based on 2020, the Mildef Crete channel operation division will continue to maintain a record-high revenue and profit. It shows that the company's basic strength accumulated hard in the Taiwan market in the past is as strong as a rock and stands out in adversity. I would like to thank all colleagues of the company and shareholders who support us.

Although there are many uncertainties in the international situation, the Mildef Crete still does not forget our fundamentals. This year, the factory manufacturing department has added a lot of new equipment and new manufacturing processes to meet the needs of the market. The company cannot relax in the face of quality and added the production control ERP system. We believe that only with high-quality products, our customers will be confident to obtain more market trust and cooperation opportunities.

Human beings are particularly vulnerable in the face of the epidemic, but we believe that the epidemic will eventually pass and leave an end in history. The company is confident in challenging the market, continues to challenge the revenue in the volatile market, and look for profit opportunities.

The overall financial performance of the company in 2021 is as follows:

I. Financial performance

(I) Operating results:

The consolidated turnover of the Mildef Crete in 2021 was NT \$2.81 billion, a decrease of 5.70% compared with 2.98 billion in 2020; The after-tax earnings attributable to the parent company was NT \$638 million, an increase of 97.52% over NT \$323 million in 2020.

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

Unit: NT \$1000

Item	2021	2020	Increase (decrease) ratio (%)
Operation interests	324,548	371,213	(12.57)
Net non-operating income and expenditure	484,629	50,543	858.84
Net profit before tax	809,177	421,756	91.86
After-tax earnings per share	10.87	5.51	97.28

(III) Profitability (consolidated companies):

Item		2021	2020
Return on assets (%)		24.51	14.56
Return on shareholders' equity (%)		34.25	21.04
Ratio to paid-in capital (%)	Operation interests	55.30	63.25
	Net profit before tax	137.88	71.87
Net profit rate (%)		22.95	11.07
Retroactive adjustment of earnings per share (NT\$ 1000)		10.87	5.51

II. Research and development

The research and development cost in 2021 is NT\$65.5 million, a decrease of 9.28% compared with NT\$72.2 million in 2020; It mainly aims the upgrading the existing model platform and the development of special models for regional customers. There are 14 series products that have been developed and started to prepare as Android platform products. We also invested in R & D for the preparation of the new market and began to develop targeted products for the mining market.

III. Operation project and future development strategy

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

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

We continue to invest in new markets. Market research, personnel investment, and product development are all in progress simultaneously. The core value of the system

division is that we can provide customized products under customer needs. Many products in the market can not meet the application needs of special industries. The Mildef Cretes can provide customers with complete product solutions. The global customer system is also the strategic goal of the Mildef Crete. It is not only the challenge of constantly expanding new fields, but also the growth space in the future.

IV. Affected by the external tense environment and the overall operation environment

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

V. Prospect

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

Thank you!

Best wishes

Good health and good luck

Chairman Yi-Tong Shen

Chapter 2 Company profile

I. Date of establishment: March 15, 1990

II. Company history:

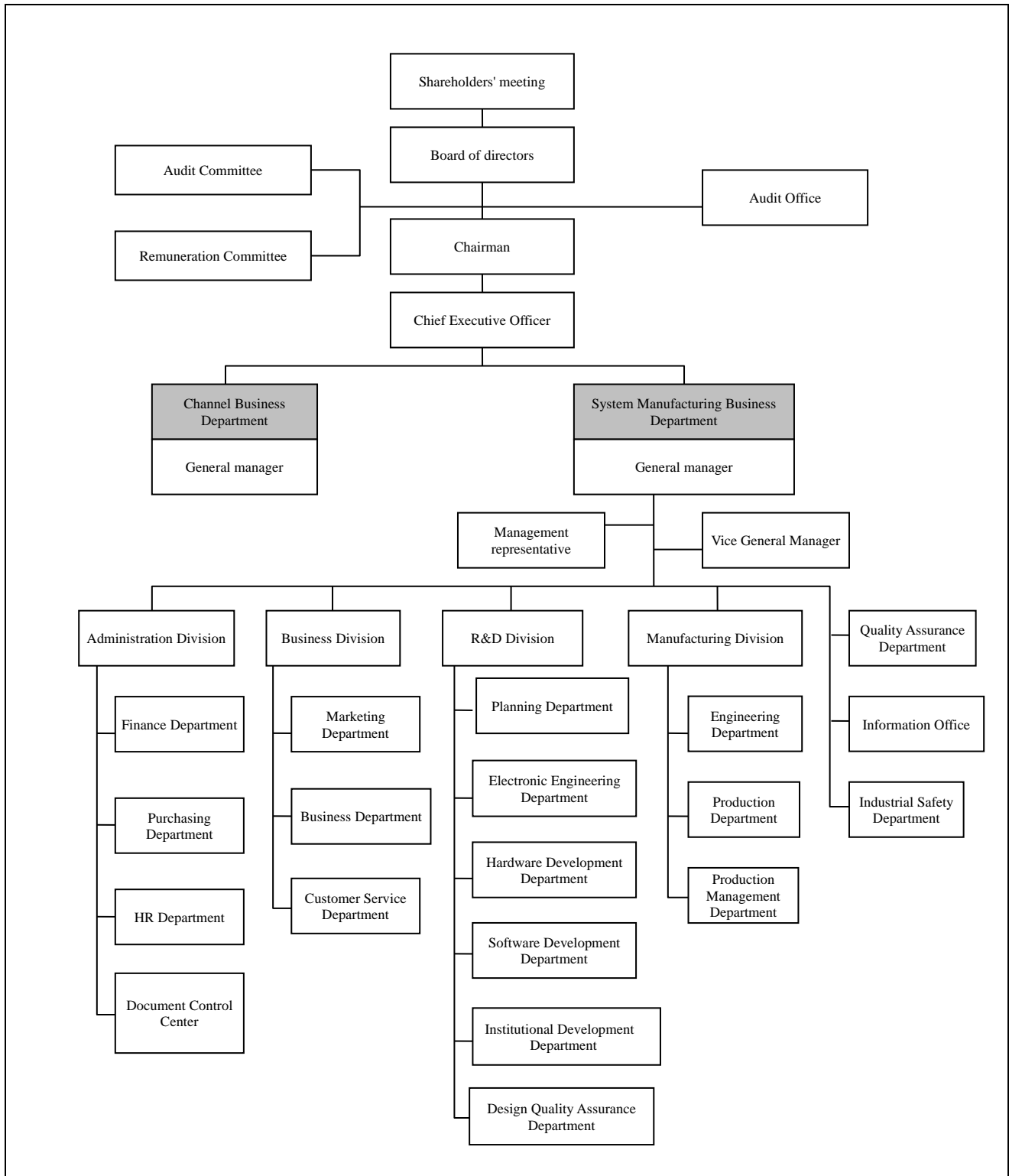
Year	Month	Important notes
1990	3	⊙ The company is located at 7-12F, No. 391, section 4, Xinyi Road, Taipei. The established capital is NT\$64 million and the paid in capital is NT\$16 million. It is engaged in the manufacturing and sales of notebook computers. The chairman is Mr. Yi-Tong Shen, the founder.
	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 6 / F, No. 250, section 3, Beishen Road, Shenkeng Township, Taipei County.
1993	6	⊙ The SLT 486 model was launched. For the first time, the extended functions and output / input interface were configured on the machine at the same time, and the power connection and push out device were added. These functions have become the design standard of docking station in the future.
1995	12	⊙ It has passed the ISO-9002 quality certification of the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs, which is the guarantee of high quality. In the same month, the CD-586 model was launched, creating a full-function precedent for domestic CD-ROM, floppy disk and battery portable multimedia computers.
1997	1	⊙ Kuo Fong Group is optimistic about the future of the company and invests in it, with Mr. Lin Xue-Pu as the chairman. Mr. Yi-Tong Shen, the former chairman, served as the general manager.
	3	⊙ Invested in Amrel Systems, Inc. (ASI) in California of US, holding 100% of the shares, and applied to the Investment Commission of the Ministry of Economic Affairs for permission.
	9	⊙ Purchased the latest automatic production equipment to improve product quality and increase product competitiveness.
	11	⊙ ATI, the US branch company, cancelled its legal person registration and closed its business because its operation was not as expected. In the same month, the company invested in Swedish Login Crete AB (LOGIN), holding 28% of the shares, and applied to the Investment Commission of the Ministry of Economic Affairs for permission.
1998	4	⊙ The Taipei branch was established to meet the needs of business expansion. Mr. Yi-Tong Shen, the general manager, concurrently served as the manager of the branch.
2000	8	⊙ Due to the busy business of chairman Lin Xue-Pu, Mr. Yi-Tong Shen, general manager, was appointed as chairman of the board.
2001	6	⊙ Invested and held 90% shares of Amrel systems, LLC. (ASLLC) in California and applied for permission from the Investment Commission of the Ministry of Economic Affairs.
2002	6	⊙ In order to strengthen the cohesion of employees, Amrel Systems LLC. (ASLLC), the US subsidiary, increased its capital by US\$100,000 in cash, and the shares held by the company were changed to 75%.
	7	⊙ Purchased the plant on the 7th floor.
	9	⊙ Became a public company.
2003	7	⊙ Listed on emerging stock market.
2004	2	⊙ Purchased the plant on the 7th floor.
	4	⊙ Sold the original plant on the 6th floor to Motech Industries Inc., and changed the business address to the 7th floor.
	10	⊙ Listed on TPEx.
2005	10	⊙ It has passed the certification of ISO 14001 environmental management system by the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs.

Year	Month	Important notes
2007	12	⊙ Amrel Systems LLC. (ASLLC), the US subsidiary, continued to suffer losses and was closed by resolution of the board of directors on January 31, 2007. The equity method was discontinued this month and liquidation losses were recognized.
2009	12	⊙ Considering the demand for future capacity planning, the plant on the 4th floor, No. 252, section 3, Beishen Road, Shengkeng Township, Taipei county was newly purchased. It is planned to be an incoming inspection area, raw material warehouse, semi-finished product warehouse and finished product warehouse.
2010	6~8	⊙ In June and August, in order to increase business dealing and cooperation, we invested NT\$104,000 (25,000 SEK) and NT\$469,000 (US\$15,000) respectively in 25% equity of MilDef AB and 10% equity of Strategic Alliance Corporate Services Pte Ltd.
2011	4~5	⊙ In April, MilDef AB was renamed MilDef Technology AB; Login Crete AB was renamed MilDef AB. The company also increased its investment in MilDef Technology AB by NT\$5,372,000 in April and May, holding 33.33% of equity.
	6	⊙ For business needs, the English name of the company was changed from the original CReTE System Inc. to Mildef Crete Inc. through the shareholders' meeting
2011	6	⊙ Based on the tax consideration, the original shareholder of Mildef AB set up another Mildef Invest AB in Sweden, which fully holds Mildef AB.
2013	6	⊙ In order to obtain technical resources related to R&D, we invested in Piccania Limited and held 4.3875% of equity.
	9	⊙ Increased the investment in MilDef Technology AB and changed the shareholding to 50.00%.
	12	⊙ As the phased task of MilDef Technology AB (hereinafter referred to as MTG) has come to an end, in order to cooperate with the handling of liquidation matters, MTG shares were transferred and 22.5% of the equity of MilDef Ltd. held by MTG was obtained according to the shareholding ratio.
2015	11	⊙ MilDef Invest AB was renamed MilDef Group AB.
	12	⊙ In order to stimulate employee morale, MilDef Ltd sold 3.75% of its equity to its employees, and the shareholding ratio of the company became 18.75%.
2017	1	⊙ In order to effectively grasp the supply schedule and quality of key materials, the company participated in the newly established investment of Flexbasis Technology Inc., with the company holding 40%.
	2	⊙ In order to integrate more closely with dealers, the company purchased an additional 11% equity of "Roda Computer GmbH", and the shareholding ratio was increased from 8% to 19%.
2018	2	⊙ In order to cooperate with the operation planning of MilDef Group AB, the company will convert its 18.75% share of MilDef Ltd into an increased share of MilDef Group AB. The company's shareholding in MilDef Group AB was changed to 30.74%. Mildef Ltd was changed to be 100% owned by Mildef Group AB.
	8	⊙ Purchased the workshop on the 4th floor, No. 254, section 3, Beishen Road, 222, Shengkeng District, New Taipei City.
2019	4	⊙ Purchased the shares of Flexbasis Technology from the shareholders of Flexbasis Technology, and the shareholding change of the company is 55%.
	11	⊙ Disposed of 10% equity of Strategic Alliance Corporate Services Pte Ltd.
2021	10	⊙ Disposed of 11% equity of Roda Computer GmbH, and the change of shareholding ratio is 8%.
2021	6	⊙ Purchased the shares of Flexbasis Technology from the shareholders of Flexbasis Technology, and the shareholding change of the company is 65.30%.
		⊙ Mildef Group AB issued new shares to acquire subsidiaries in the first quarter, and the company disposed of some of its shares. The company increased its capital and went public on June 4, resulting in a change in the company's shareholding of 12.23%.

Chapter 3 Corporate Governance Report

I. Organization system:

(I) Organizational structure:



(II) Business of main departments:

Department	Main responsibilities
Audit Office	<p>Subordinate to the board of directors</p> <ol style="list-style-type: none"> (1) Supervise and improve the implementation effect and independence of internal audit, and report to the board of directors regularly. (2) Check and evaluate the appropriateness of the internal control system and supervise its effective application. (3) Be responsible for the audit of the company's business, finance and operation, abnormal analysis and facts, and provide improvement suggestions. (4) Inspect and protect the safety of the company's assets, and assist the management in implementing the company's internal rules and regulations.
Chief Executive Officer	<ol style="list-style-type: none"> 1. The resolution of the Executive Board of directors, whether internal or external, is the highest authority decision-maker of the company, and has the right to manage affairs and sign for the company within the scope of authorization specified in the articles of association or contract. 2. And be responsible for the leadership and commitment to the quality and environmental management (green products, the same below) system to ensure the integrity of the quality and environmental management system. <ol style="list-style-type: none"> (1) Assume responsibility for the effective operation of the quality and environmental management system. (2) Ensure that the management system establishes quality / environmental policies and objectives, and is compatible with the organization's strategic policies and environment. (3) Ensure that the requirements of the management system are integrated into the business operation process of the organization. (4) Ensure that the resources required by the management system are available. (5) Ensure the importance of effective management system, communication and integration with the organization's operation process, so as to achieve its expected results. (6) Commit, guide and support employees to contribute to the

Department	Main responsibilities
	<p>effectiveness of the management system.</p> <p>(7) Promotion and improvement.</p> <p>(8) Support other relevant management roles and show their leadership in their areas of responsibility.</p> <p>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.</p> <p>(1) System Manufacturing Business Department: The general manager shall be appointed to directly supervise the Administration Division, Business Division, R&D Division, Manufacturing Division, Quality Assurance Department, Information Office, Audit Office, and Industrial Safety Department.</p> <p>The deputy general manager shall be appointed to assist the general manager and be responsible for supervising, coordinating and monitoring the implementation process of the green product system to implement the system.</p> <p>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.</p> <p>(2) Channel Business Department: The general manager shall be appointed to be responsible for the strategic operation and implementation of objectives of computer market channels in Taiwan.</p>
Administration Division of System Manufacturing Business Department	Adhering to the order of the general manager, take charge of the company's finance, personnel, procurement, general affairs, public relations and other matters. There are Finance Department, Purchasing Department, HR Department and Document Control Center.
Finance	Be responsible for the financial and tax planning and management of

Department	Main responsibilities
Department	<p>the two business departments within the organization of the company. The duties are as follows:</p> <ol style="list-style-type: none"> (1) Credit line application, fund dispatching, fund raising and control with financial institutions. (2) Cashier operations, custody of cash, bank transactions, receipt, redemption and transfer of bills. (3) Tax planning, tax refund, preparation of financial statements, business analysis, expense analysis, reconciliation of overseas companies. (4) Reconciliation of accounts receivable, collection and control of customer credit transaction limit. (5) Salary payment, accounts payable accounting processing, cost analysis, inventory counting, fixed assets management. (6) The planning and operation of stock affairs operations and the convening of functional meetings such as the shareholders' meeting, the board of directors and the audit committee.
HR Department	<ol style="list-style-type: none"> (1) 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: 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) Lease contracts and contract review and seal matters, and custody of contracts and lease contracts, patents and certificates.

Department	Main responsibilities
	(6) Insurance underwriting planning and policy management of property insurance (movable and real estate) and liability insurance.
Purchasing Department	<ul style="list-style-type: none"> (1) Inquire, compare and negotiate prices with suppliers before ordering and expediting delivery. (2) Develop new parts and second suppliers and propel the recognition of samples. (3) Return and exchange of incoming defective products. (4) Provide material cost and report market situation. (5) Evaluate the quality, environment and supply capacity of suppliers, and follow up the ordering and delivery documents. (6) Assist green suppliers in establishing green product standards, and evaluate the production capacity together with relevant departments when necessary. (7) Assist green suppliers in environmental compliance, and ensure that their products meet standards and control measures. (8) Ask the supplier for non-use certificate (recognition stage and mass production stage), green product test report or commitment letter of environmental restricted substances of green products. (9) Select and evaluate qualified suppliers of green products according to the standards of environmental restricted substances. (10) Assist in explaining the responsibilities and obligations of Mildef Crete for the green product system to the supplier. (11) General affairs matters such as the management of switchboard, stationery, business machines, air conditioner and official vehicles, and the purchase and management of appliances and sundries. (12) Assist suppliers in communication and control of environmental protection matters. (13) Responsible for the management of drinking water.
Document Control Center	<ul style="list-style-type: none"> (1) Control of the quality manual, various operation procedures and supporting documents of the company's quality system. (2) Control of environmental management manual, various operating procedures and supporting documents of the company's environmental management system.
Business Division	Adhering to the order of the general manager, based on the principles

Department	Main responsibilities
of System Manufacturing Business Division	of quality and environmental management, with the goal of achieving performance and creating the maximum profit of the company, it has set up a marketing department, a business department and a customer service department.
Marketing Department	<ul style="list-style-type: none"> (1) Collect market information, technology, quality and environmental protection and provide them to the supervisor and R&D Division. (2) Formulation of price policy and market planning and estimation. (3) Plan and handle advertising and exhibition matters. (4) Accept suggestions from customers, manufacturers and the company, or actively collect data and plan new product proposals. (5) Draft initial product specifications.
Business Department	<ul style="list-style-type: none"> (1) Develop, investigate, select, contact and serve customers at home and abroad. (2) Review of contracts and orders, contact and coordination of production, sales and shipment control. (3) Contact and handle customer complaints and maintenance. (4) Report abnormal quality information to R&D Division and Manufacturing Division, collect and provide technical data to customers. (5) Receive the maintenance materials and sporadic spare materials required by customers. (6) Arrange shipment. (7) Customer satisfaction survey. (8) Assist in collecting environmental protection regulations and customer 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	<ul style="list-style-type: none"> (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.

Department	Main responsibilities
	(4) Arrange the return and shipment of returned products.
R&D Division of System Manufacturing Business Department	<p>(1) Responsible for the company's product development, quality assurance in the development stage, manufacturing technical support, sales technical support and customer support, taking into account cost, quality, environmental protection technology and other matters. There are planning department, electronic engineering department, hardware development department, software development department and organization development department.</p> <p>(2) In the sample evaluation stage, it is necessary to investigate whether the materials meet the standards of environmental restricted substances for green products.</p> <p>(3) Before mass production, provide relevant review data of green products of the Industrial Safety Department.</p> <p>(4) Assist in the analysis of non-conformance of various environmental management substances from raw materials, articles to finished products.</p> <p>(5) If there is any doubt that the production materials before the product handover stage do not meet the standards of environmental restricted substances, they can take the initiative to submit them for inspection.</p> <p>(6) Save the supplier's green product test data of materials in the recognition stage.</p> <p>(7) Develop relevant green products that meet the green product specifications.</p> <p>(8) In the design stage, design methods are used to improve quality, process and verification, and assist in problem analysis and risk assessment.</p>
Planning Department	<p>(1) Implement the review of new product development suggestions.</p> <p>(2) Responsible for integrated planning and tracking of project progress.</p> <p>(3) Write BOM, technical documents and operation instructions.</p> <p>(4) Control the blueprint and technical documents of the R&D Division.</p> <p>(5) Establishment and control of GP documents.</p> <p>(6) Assist in collecting relevant information on environmental</p>

Department	Main responsibilities
	protection in the market and transmitting it to the Industrial Safety Department
Electronic Engineering Department	<ul style="list-style-type: none"> (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 Development Department	<ul style="list-style-type: none"> (1) Perform the recognition of the company's digital circuit design and 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	<ul style="list-style-type: none"> (1) Develop special software of the company. (2) Assist in sample debugging.
Institutional Development Department	<ul style="list-style-type: none"> (1) Recognition of mechanism design and parts. (2) Assist in solving model problems in production. (3) Carry out the environmental test of the company.
Design Quality Assurance Department	<ul style="list-style-type: none"> (1) Quality assurance in development stage. (2) Formulate product quality plan. (3) Design verification and review of acceptance plan of relevant equipment, fixtures and molds. (4) Measurement system evaluation and verification data analysis. (5) Design and process risk assessment and review.
Manufacturing Division of System Manufacturing Business Division	Adhering to the order of the general manager, it comprehensively manages the implementation of product production, quality and environmental protection, improves efficiency, reduces costs, and completes the manufacturing order on time. It has engineering department, production department and production management department.
Engineering Department	Set up biotechnology section and factory affairs section, with the following responsibilities:

Department	Main responsibilities
	<ul style="list-style-type: none"> (1) Formulation of product manufacturing and test procedures and operation instructions, and control of test software and product firmware. (2) Selection, manufacture, maintenance and calibration of production and test equipment and fixtures. (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	<ul style="list-style-type: none"> (1) Cooperate with the production management to execute the manufacturing order, and manufacture, test, assemble and package the products that meet the quality according to the specifications and standards. (2) Follow the operating instructions, make good use of materials, pay attention to quality and environmental protection, reduce the defect rate and scrap quantity. (3) Strengthen training and improve personnel morale. (4) Management and maintenance of equipment and tools. (5) The use of recyclable materials and recyclable articles to make them meet the green product standard. For example: reuse of packaging materials.
Production Management Department	<ul style="list-style-type: none"> (1) Make production plan and schedule, follow up the materials of relevant units and purchase requisition of non-complete sets of materials, so as to avoid production shutdown or idle materials. (2) Receipt of materials, warehousing, issuing, storage and inventory of semi-finished products and finished products, evaluation of outsourcing plants and outsourcing contracting operations. (3) Assist the subcontractor to explain the responsibilities and obligations of Mildef Crete to the green product system.

Department	Main responsibilities
Quality Assurance Department of System Manufacturing Business Division	<p>Directly reporting to general manager</p> <ol style="list-style-type: none"> (1) Promote quality control and environmental management system, supervise quality control and environmental management activities, and coordinate and solve quality and environmental management problems. (2) Formulation of inspection specifications, and implementation of incoming material inspection and finished product inspection. (3) Calibration of quality and environmental protection instruments. (4) Analysis and feedback of quality and environmental defects, tracking of quality and environmental abnormalities and guidance for third parties. (5) Engineering sample verification and trial-run product verification. (6) If there is any doubt that the production materials in the mass production stage of the product do not meet the standards of environmental restricted substances of green products, they can take the initiative to submit them for inspection. (7) The Quality Assurance Department shall post the "ROHS PASS" sign for the materials that pass the incoming material inspection according to the "environmental restricted substances standard for green products". (8) The information and requirements of relevant laws and regulations at home and abroad reflected by the customer shall be transmitted to the Industrial Safety Department for identification.
Information Office of System Manufacturing Business Division	<p>Directly reporting to general manager</p> <ol style="list-style-type: none"> (1) Set up internal network and update and repair e-mail system. (2) Company network architecture maintenance plan. (3) Internal control audit. (4) Software legitimacy control. (5) Erection and maintenance of safety monitoring system. (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	<p>That is, the Labor Safety and Health Committee, directly under the general manager</p> <ol style="list-style-type: none"> (1) Formulation and supervision of labor safety and health codes of

Department	Main responsibilities
Manufacturing Business Department	<p>practice and safe working methods.</p> <p>(2) Handle relevant education and training in accordance with labor safety and health code of practice.</p> <p>(3) Formulate occupational disaster prevention plan and implement occupational disaster investigation, report, statistics and reporting.</p> <p>(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.</p> <p>(5) Plan employee health examination and health management.</p> <p>(6) Provide suggestions and data for improving safety and health.</p> <p>(7) Set up a chairman and several other members.</p> <p>(8) Other duties to be performed in accordance with safety and health laws and regulations.</p> <p>(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.</p> <p>(10) According to the product environmental protection laws and regulations of various countries and the environmental protection requirements of customers, formulate the environmental restricted substance standards for green products of Mildef Crete.</p> <p>(11) Implementation and promotion of education and training related to green product system.</p> <p>(12) Analyze and supervise the non-compliance of environmental restricted substances from raw materials and articles to finished products, and provide the analysis data to relevant units for processing.</p>
Channel Business Department	<p>Directly under the CEO, the head office is set up in Bade Road, Taipei.</p> <p>Its duties are:</p> <p>(1) Formulate and implement annual / quarterly business plans.</p> <p>(2) The establishment and planning of retail outlets in Taiwan</p> <p>(3) Collection, analysis and provision of market intelligence.</p> <p>(4) Achievement of business objectives and profit objectives.</p> <p>(5) Order processing and shipment arrangement.</p> <p>(6) Handling of customer complaints, customer returns and</p>

Department	Main responsibilities
	<p data-bbox="587 232 759 264">maintenance.</p> <p data-bbox="523 282 1118 313">(7) Exhibition planning and implementation.</p> <p data-bbox="523 331 1422 416">(8) After inquiring and negotiating with the supplier, order and urge the delivery.</p> <p data-bbox="523 434 1342 519">(9) Information matters such as the erection, maintenance and planning of internal and external networks in Taiwan.</p> <p data-bbox="523 537 1426 667">(10) Stationery, business machines, air conditioners, official vehicles, purchase and management of appliances and sundries and other general affairs matters.</p> <p data-bbox="523 685 1342 716">(11) Personnel recruitment, appointment and management, etc.</p> <p data-bbox="523 734 683 766">(12) Others.</p>
Various departments	<p data-bbox="523 792 1182 824">(1) Identification of environmental consideration.</p> <p data-bbox="523 842 1394 927">(2) Assist in the verification of environmental protection laws and regulations.</p> <p data-bbox="523 945 1347 1030">(3) Formulation and implementation of various environmental objectives.</p>

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

(I) Data of directors and supervisors: April 11, 2022

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 61-70 years old	2020.06.18	3	1990.03.15	3,126,244	5.33	3,126,244	5.33	0	0	0	0	Graduated from Taipei Tech Electronic Engineering; Chairman of Macnica Galaxy Inc.	General manager of the company and director of Flexbasis Technology	None	None	None	The chairman and general manager of the company are the same person, both of whom are Mr. Yi-Tong Shen. Mr. Yi-Tong Shen is the founder of the company and also the general manager of the company for several years. Under his leadership, the company has made great achievements. Response measures- 1. Increase the number of independent directors 2. There are other functional committees - such as Remuneration Committee and Audit Committee 3. None of the members of the board of directors of the company are spouses or first-degree relatives of each other. Except chairman Shen, other directors do not concurrently serve as employees or managers of the company
Director	Republic of China	Nankang Rubber Tire	N/A	2020.06.18	3	1997.01.23	2,150,829	3.67	2,150,829	3.67	0	0	0	0	N/A	N/A	None	None	None	
		Representative: Jun-Ying Lin	Female 31-40 years old	2020.06.18	3	1997.01.23	0	0	0	0	0	0	0	0	Graduated from the Department of Communication of China University of Technology and the Graduate Institute of Johnson & Wales University in the United States; Director of Nankang Rubber Tire Corp., Ltd.	Director of Zhikai Development Co., Ltd., Director of Yuanhong Development Co., Ltd., Director of Nankang Rubber Tire Corp., Ltd. and Director of Nanzong Construction Developments, Co., Ltd.	None	None	None	
Director	Republic of China	Ming- Xiao Lu	Male 61-70 years old	2020.06.18	3	2002.06.21	945,563	1.61	945,563	1.61	0	0	0	0	Graduated from Mechanical & Electrical Engineering of National Taipei University of Technology; deputy general manager of Yung Loong Engineering CORP.	Deputy general manager of Yung Loong Engineering CORP.	None	None	None	

Independent director	Republic of China	Yong- Cheng Chun	Male 61-70 years old	2020.06.18	3	2002.06.21	0	0	0	0	0	0	0	0	Master of College of Law and Business at National Chung Hsing University; passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong- Cheng Chun (Zhisheng) Law Firm	Responsible person of Yong- Cheng Chun (Zhisheng) Law Firm and legal adviser of Cathay Life Insurance Company, Ltd.	None	None	None	
Independent director	Republic of China	Jun- Ming Wang	Male 71-80 years old	2020.06.18	3	2003.06.26	0	0	0	0	0	0	0	0	Graduated from the College of Business and Management, Tamkang University; passed the special examination of customs affairs; Customs Administration Ministry of Finance Taipei Customs, finance manager of Easy International Marketing Corporation, chairman and general manager of Precision Mfg. Inc.	Chairman and general manager of Precision Mfg. Inc. and director of Cancer Prevention and Treatment Foundation	None	None	None	
Independent director	Republic of China	Xiao- Long Feng	Male 61-70 years old	2020.06.18	3	2004.06.28	65,132	0.11	65,132	0.11	0	0	0	0	Graduated from the Collage of Communication of Fu Jen Catholic University and graduated from the 2000 Senior Manager (SMG) class of John F. Kennedy School of Government, Harvard Kennedy School; reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and director, manager of news department and director of BCC, spokesman of BCC, director of Satellite Television Broadcasting Association, R.O.C., director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin Univeristy, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University.	Business consultant of Taipei International Community Cultural Foundation, director of Radio and Television Music Users Association of the Republic of China, and director of Yishitang, Keelung City, Taiwan	None	None	None	
Director	Republic of China	Wen- Chun Cai	Female 61-70 years old	2020.06.18	3	2008.06.19	10,139	0.01	15,139	0.03	0	0	0	0	Graduated from Department of Accounting of Hsing Wu University	Independent director of Farcent Enterprise Co., Ltd	None	None	None	

◆Major shareholders of corporate shareholders

March 21, 2022

Name of corporate shareholder	Major shareholders of corporate shareholders
Nankang Rubber Tire	Nankang Rubber Tire (18.52%), Yuanhong Development (7.04%), Zhikai Development (6.16%), Yuanrui Development (4.79%), Hanshin Investment (4.20%), Hanzhong Global Investment (4.20%), Quanye Investment (4.07%), Youshin Developmen (3.60%), Jun-Ying Lin (2.27%), JPMorgan Taipei Branch is entrusted with the custody of the special account for the investment of Vanguard FTSE Emerging Markets managed by Vanguard group (1.23%)

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

March 21, 2022

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


Directors and Supervisors

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

of independent directors:


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

Condition Name	Professional qualifications and experience	Independence	Number of independent directors concurrently serving in other public companies
		<p>relative within the third degree of kinship in the three preceding items.</p> <p>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</p> <p>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</p> <p>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</p> <p>8. Not a professional that provides audit services for the company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>9. Not a spouse or a relative within the second degree of kinship with any director.</p>	
Director Ming- Xiao Lu	<p>1. Deputy general manager of Yung Loong Engineering CORP.</p> <p>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.</p>	<p>1. Not a employee of the company or its affiliated enterprises.</p> <p>2. Not a director or supervisor of the Company or any of its affiliates.</p> <p>3. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.</p> <p>4. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the</p>	None

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of independent directors concurrently serving in other public companies
		<p>Company Act</p> <p>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</p> <p>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</p> <p>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</p> <p>8. Not a professional that provides audit services for the company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>9. Not a spouse or a relative within the second degree of kinship with any director.</p> <p>10. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
 <p>Independent director Yong- Cheng Chun</p>	<p>1. Passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong- Cheng Chun (Zhisheng) Law Firm</p> <p>2. Professional and technical personnel who have passed the examination of lawyers and magistrates, and work experience</p>	<p>1. Not an employee of the company or its affiliated enterprises.</p> <p>2. Not a director or supervisor of the Company or any of its affiliates.</p> <p>3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.</p> <p>4. Not a spouse, relative within the second degree of kinship, or lineal</p>	None

Condition Name	Professional qualifications and experience	Independence	Number of independent directors concurrently serving in other public companies
	<p>required for business, legal affairs, finance, accounting and company business.</p> <p>3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act.</p>	<p>relative within the third degree of kinship in the three preceding items.</p> <p>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act</p> <p>6. Not a director - a member of the governing board or a director, supervisor, or employee of another company controlled by the same person having a majority of voting shares</p> <p>7. Not a director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company</p> <p>8. Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company</p> <p>9. Not a professional that provides audit services for the company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	

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

<div>Condition</div> <div>Name</div>	Professional qualifications and experience	Independence	Number of independent directors concurrently serving in other public companies
		<p>Company or to any affiliated company for compensation in the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
 <p>Independent director Xiao- Long Feng</p>	<p>1. Reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and director, manager of news department and director of BCC, spokesman of BCC, director of Satellite Television Broadcasting Association, R.O.C., director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin Univeristy, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University.</p> <p>2. Working experience in business, finance, accounting and company business.</p> <p>3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act.</p>	<p>1. Not a employee of the company or its affiliated enterprises.</p> <p>2. Not a director or supervisor of the Company or any of its affiliates.</p> <p>3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.</p> <p>4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.</p> <p>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act</p> <p>6. Not a director - a member of the governing board or a director, supervisor, or employee of another company controlled by the same person having a majority of voting shares</p> <p>7. Not a director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company</p> <p>8. Not a director (member of the</p>	None

Condition Name	Professional qualifications and experience	Independence	Number of independent directors concurrently serving in other public companies
		<p>governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company</p> <p>9. Not a professional that provides audit services for the company or affiliated enterprises or commercial, legal, financial, accounting services to the Company or to any affiliated company for compensation in the latest two years.</p> <p>10. Not a spouse or a relative within the second degree of kinship with any director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
Director Wen- Chun Cai	<p>1. Independent director of Farcent Enterprise Co., Ltd</p> <p>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.</p>	<p>1. Not a employee of the company or its affiliated enterprises.</p> <p>2. Not a director or supervisor of the Company or any of its affiliates.</p> <p>3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.</p> <p>4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.</p> <p>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act</p> <p>6. Not a director - a member of the governing board or a director, supervisor, or employee of another</p>	1

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

II. Diversity and independence of the board of directors:

(I) Board diversity:

The company advocates and respects the diversification policy of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, it is believed that the diversification policy will help to improve the overall performance of the company. Members of the board of directors are selected based on the principle of talents, and have multiple complementary abilities in cross industry fields, including basic composition (such as age, gender, nationality, etc.), industrial experience and relevant skills (such as finance and accounting, legal affairs, information technology and public welfare undertakings), as well as business judgment, operation management, leadership decision-making and

crisis management. In order to strengthen the functions of the board of directors and achieve the ideal goal of corporate governance, Article 20 of the company's code of practice on corporate governance stipulates that the overall capabilities of the board of directors are as follows: 1. Business judgment 2. Accounting and financial analysis ability 3. Operation and management ability 4. Crisis handling capacity 5. Industrial knowledge 6. International market view 7. Leadership 8. Decision making ability.

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

Diversified core items Name of director	nationality	Gender	Concurrently serving as an employee of the company	Age			Term of office and length of service of directors	Operation judgment/ Management	Crisis management/ Leadership decision	Industrial knowledge	International market view	Financial accounting	Law
				Below 40	61 to 70	71 to 80	10 years above						
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
- It can be seen from the table above that there are 7 directors (including 3 independent directors) for the 13th term board of directors of the company, who have overall operational judgment, business management, crisis management, leadership decision-making, and industry experience and professional capability; among whom, chairman Yi-Tong Shen, director Ming-Xiao Lu, independent director Yong- Cheng Chun, independent director Jun-Ming Wang, independent director Xiao-Long Feng and director Wen-Chun Cai possess international market view; chairman Yi-Tong Shen, independent director Jun-Ming Wang, and director Wen-Chun Cai are skilled in financial accounting; independent director Jun-Ming Wang has significant contributions to the public welfare; and independent director Yong-Cheng Chun is specialized in legal affairs.
 - The average term of office of the directors of the company is more than 10 years. The members of the board of directors are all Taiwanese, and the proportion of the composition structure is 42.86% of 3 independent directors and 14.29% of 1 director with the identity of an employee. The age distribution range of directors includes one director under the age of 40, five directors aged 61-70 and one director aged 71-80. In addition to the above, the company also pays attention to gender equality in the composition of the board of directors. The current board of directors includes two female members, accounting for 28.57%. In the future, the company will continue to strive to improve the proportion of female directors.
 - The diversity orientation, complementarity and implementation of directors have included and are better than the standards set out in Article 20 of the company's code of practice on corporate governance; In the future, the diversification policies will be revised in due time according to the operation, operation type and development needs of the board of directors, including but not limited to the standards of basic conditions and values, professional knowledge and skills, so as to ensure that the members of the board of directors should generally have the knowledge, skills and literacy necessary for performing their duties.

(II) Independence of the board of directors:

It can be seen from the disclosure of the professional qualifications of the above directors and supervisors and the independence of independent directors-

- The company has 3 independent directors, accounting for 42.86% of the directors.
- There are six employees who are not employees of the company or affiliated enterprises of the company.
- There are seven directors and supervisors who are not from the company's affiliated enterprises.
- There are 5 natural person shareholders who are not by themselves, their spouses, minor children or in the name of others holding more than 1% of the total issued shares of the company or with shareholding of the top 10.
- There are 6 persons who are not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.
- There are five persons who are not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act.
- There are seven persons who are not a director - a member of the governing board or a director, supervisor, or employee of another company controlled by the same person having a majority of voting shares
- There are six persons who are not a director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company
- There are seven persons who are not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company
- There are seven persons who are not a professional that renders commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for compensation.
- There are 7 persons who have no spouse or relatives within the second degree with other directors. (No circumstances as specified in the provisions of paragraphs 3 and 4 of article 26-3 of the Securities and Exchange Act)
- There are six persons who are not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

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

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

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

April 11, 2022

Title (Note 1)	nationality	Name	Gender	Election (on board) date	Shares held		Shares held by spouse and minor children		Holding shares in the name of others		Main experience (education) (Note 2)	Currently holding positions in other companies	Managers with spouse or second degree relationship			Remarks (Note 3)
					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	NTUT, Electronic Engineering ; Chairperson of the Macnica Galaxy Inc.	Director of Flexbasis Technology	None	None	None	The chairman and general manager of the company are the same person, both of whom are Mr. Yi-Tong Shen. Mr. Yi-Tong Shen is the founder of the company and also the general manager of the company for several years. Under his leadership, the company has made great achievements. Response measures- 1. Increase the number of independent directors 2. There are other functional committees - such as Remuneration Committee and Audit Committee 3. Neither the members of the board of directors nor the managers of the company are spouses or first-degree relatives of each other, and more than half of the directors do not concurrently serve as employees or managers
Channel Business Department General manager	Republic of China	Jia-Xing Hu	Male	2011.08.01	153,211	0.26	0	0	0	0	EMBA, Graduate School of Management, National Taiwan University of Science and Technolgy; Senior Organization Engineer of Conjutek Co. Ltd.	None	None	None	None	
Executive Vice General Manager	Republic of China	Yong-Xiang Zhou	Male	2019.01.01	3,000	0.01	0	0	0	0	Edith Cowan University, Australia - double bachelor of computer information technology and multimedia technology; general manager of China and Asia Pacific region of Shengdi Wisdom Technology Co.,Ltd.; vice president of Asia Pacific market, Franke, Switzerland	None	None	None	None	
R&D Division Vice General Manager	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	
Channel Business Department Associate of planning 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	
Channel Business Department AVP of north district business	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	
Channel Business Department AVP of south district business	Republic of China	Xin-Xiong Huang	Male	2010.12.01	0	0	0	0	0	0	Graduated from Department of Industrial and Information Management Institute of Information Management; R&D engineer and business specialist of Zhaotong Enterprise and Taiwan Sakura Corporation	None	None	None	None	
AVP of Manufacturing Division	Republic of China	Quan-Xiong Li	Male	2018.10.01	166,000	0.28	4,902	0.01	0	0	Graduated from the Department of Electronic Engineering of Tungnan University	Supervisor of Flexbasis Technology	None	None	None	
AVP of Business Division	Republic of China	Sheng-Xian Wang	Male	2022.05.01	0	0	0	0	0	0	Graduated from Mechanical Department of Tungnan University; Solomon (Longmen) Co., Ltd., Ouliya Co., Ltd.	None	None	None	None	

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

1. Remuneration of directors (including independent directors)

Unit: NT\$1,000

Title	Name	Remuneration of directors								Proportion of the total amount of items A, B, C and D to net income after tax (Note 6)		Part time employees receive relevant remuneration								Proportion of the total amount of items A, B, C, D, E, F and G to the net profit after tax		Any remuneration received from reinvestment enterprises other than subsidiaries
		Remuneration (A) (Note 1)		Retirement pension (B)		Directors' remuneration (C) (Note 2)		Business execution cost (D) (Note 3)				Salary, bonus and special expenses (E) (Note 4)		Retirement pension (F)		Employee remuneration (G) (Note 5)						
		The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company		All companies in the financial report		The company	All companies in the financial report			
Chairman	Yi-Tong Shen	0	0	0	0	3,656	3,853	32	32	0.58	0.61	2,792	2,792	0	0	759	0	759	0	1.13	1.17	None
Director	Nankang Rubber Tire Representative: Jun-Ying Lin																					
Director	Ming- Xiao Lu																					
Director	Wen- Chun Cai																					
Independent director	Yong- Cheng Chun	0	0	0	0	3,656	3,656	36	36	0.58	0.58	0	0	0	0	0	0	0	0.58	0.58	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 remuneration distribution amount of directors and employees in the table is the proposed distribution amount of this year based on the proportion of the actual distribution amount of last 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 (Note 8)	All companies in the financial report (Note 9) H	The company (Note 8)	All companies in the financial report (Note 9) I
Less than NT\$1,000,000	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai	Nankang Rubber Tire Represented by. Jun-Ying Lin,Ming-Xiao Lu, Wen-Chun Cai
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng, Yi-Tong Shen	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng, Yi-Tong Shen	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng	Yong-Cheng Chun, Jun-Ming Wang, Xiao-Long Feng
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)			Yi-Tong Shen	Yi-Tong Shen
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
More than NT\$100,000,000				
Total	7 persons	7 persons	7 persons	7 persons

- Note 1: Refers to the remuneration of directors in the most recent year (including directors' salary, duty allowance, severance pay, various bonuses, awards, etc.).
- Note 2: On March 17, 2022, the board of directors of the company decided to allocate NT\$7,312,000 for directors' remuneration in 2021 and submit the report to the 2022 shareholders' meeting. The distribution amount is calculated based on the proportion of the actual distribution amount last year with the proposed distribution amount this 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: On March 17, 2022, the board of directors of the company decided to allocate NT\$42,242,000 for employee remuneration in 2021 and submit the report to the 2022 shareholders' meeting. The distribution amount is calculated based on the proportion of the actual distribution amount last year with the proposed distribution amount this 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 report of 2021, which is NT\$638,192,000.

2. Remuneration of supervisors:

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

3. Remuneration of general manager and deputy general manager

Unit: In Thousands of New Taiwan Dollars

Title	Name	Remuneration (A)		Retirement pension (B) (Note 1)		Bonus and Special expenses, etc (C)		Employee remuneration amount (D) (Note 2)				Proportion of the total amount of A, B, C and D to the net profit after tax (%) (Note 3)		Any remuneration received from reinvestment enterprises other than subsidiaries
		The company	All companies in the financial report	The company	All companies in the financial report	The company	All companies in the financial report	The company		All companies in the financial report		The company	All companies in the financial report	
								Cash Amount	Shares Amount	Cash Amount	Shares Amount			
Chief Executive Officer	Yi-Tong Shen	9,031	9,031	106	106	755	755	5,758	0	5,758	0	2.45	2.45	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 (Note 6)	All companies in the financial report (Note 7) E
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)	沈頤同、周詠翔	沈頤同、周詠翔
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Jia-Xing Hu	Jia-Xing Hu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
More than NT\$100,000,000		
Total	4 persons	4 persons

- Note 1: This is the retirement pension set aside according to law, and there is no actual retirement pension paid in the most recent year.
- Note 2: On March 17, 2022, the board of directors of the company decided to allocate NT\$42,242,000 for employee remuneration in 2021 and submit the report to the 2022 shareholders' meeting. The distribution amount is calculated based on the proportion of the actual distribution amount last year with the proposed distribution amount this 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 report of 2021, which is NT\$638,192,000.

Name of the manager who receives employee remuneration and distribution status

2021; Unit: NT\$1,000

	Title	Name	Stock amount	Cash amount (Note 1)	Total	Proportion of total amount to net profit after tax (%) (Note 2)
Manager	Chief Executive Officer	Yi-Tong Shen	0	7,731	7,731	1.21
	Channel Business Department General manager	Jia-Xing Hu				
	Executive vice president	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 Manufacturing Division	Quan-Xiong Li				
	Finance manager	Ya-Ping Liu				

Note 1: On March 17, 2022, the board of directors of the company decided to allocate NT\$42,242,000 for employee remuneration in 2021 and submit the report to the 2022 shareholders' meeting. The distribution amount is calculated based on the proportion of the actual distribution amount last year with the proposed distribution amount this 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 report of 2021, which is NT\$638,192,000.

Note 3: Mr. Sheng-Xian Wang, AVP of the Business Division, was not included because he took office in May 2022.

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

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

Identity \ Year	Proportion of total remuneration to net profit after tax (Note 1) of parent only or individual financial reports (%)			
	2021 (Note 2)		2020	
	The company	All companies in the consolidated statement	The company	All companies in the consolidated statement
Director	1.71	1.74	3.89	3.94
Supervisor	0	0	0	0
General manager and deputy general manager	2.45	2.45	4.97	4.97

Note 1: The net profit after tax of parent only financial report in 2021 and 2020 is NT\$638,192,000 and NT\$323,272,000 respectively.

Note 2: On March 17, 2022, the board of directors of the company decided to allocate NT\$42,242,000 for

employees and NT\$7,312,000 for directors in 2021, and submit the report to the 2022 shareholders' meeting.

Note 3: The distribution amount in 2021 is calculated based on the proportion of the actual distribution amount of last year to calculate the proposed distribution amount this year.

Note 4: The proportion of each in 2021 is lower than that in 2020, mainly because the net profit after tax in 2021 after deducting the unrealized disposal of investment gains recognized by accounting standards is lower than that in 2020.

2. Policies, standards and combinations of remuneration payments, procedures for determining remuneration, and their relationship to business performance and future risks:
 - ⊙ The company has set up a remuneration committee, which is responsible for reviewing the company's overall remuneration, directors and senior managers' remuneration and payment methods.
 - ⊙ All directors of the company will not receive other remuneration except the attendance fee for each board meeting and the director's remuneration allocated in accordance with the articles of association for the company's annual profits.
 - ⊙ The directors' remuneration provided by the company's annual profit in accordance with the articles of association shall be handled in accordance with the provisions of the company's articles of association. The articles of association clearly stipulate that if the company makes a profit, it may set aside no more than 3% for the director's remuneration, so that the director's remuneration is proportional to the company's operating performance.
 - ⊙ The compliance with the rationality of the directors' remuneration performance policy mainly considers the performance evaluation methods and procedures of the board of directors, the overall operating performance of the company, the future operating needs and development of the industry, and gives reasonable remuneration with reference to the individual's contribution to the company's operation, which has been deliberated by the Remuneration Committee and discussed and approved by the board of directors.
 - ⊙ The remuneration policy of the company's directors and managers is to strengthen corporate governance and improve the remuneration system of the company's directors and managers, and formulate the "measures for the administration of directors and managers' remuneration" for approval.
 - ⊙ The distribution principle of directors is: 1. The distribution of directors' remuneration is directly proportional to the company's operating performance. 2. In order to implement the spirit of corporate governance and take into account the contribution and increased responsibilities of members' participation, in order to comply with the principle of fairness, the base number shall be added according to the number of personal attendance of members participating in functional

committees (excluding power of attorney).

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

III. Corporate governance and operation:

(I) Operation of the board of directors

Information on the operation of the board of directors

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

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

Other matters to be recorded:

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

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

Date of board meeting	Content of proposal	Opinions of all independent directors and subsequent treatment
The fifth session of the 13th term 2021.03.18	<ol style="list-style-type: none"> Performance evaluation of directors and managers in 2020 Remuneration distribution of directors and employees in 2020 2020 annual business report and financial statement audit report 2020 earning distribution 2021 annual budget and operation plan 2020 "effectiveness assessment of internal control system" and "statement of internal control system" Evaluation results of CPA's independence in 2020 and 2021 Amendment to the articles of association Amendment to "procedures for election of directors" Amendment to the "management measures for the preparation process of financial statements" Proposal on matters related to the convening of the 2021 shareholders' meeting 2021 salary adjustment plan Manager's salary adjustment evaluation in 2021 	Independent directors did not object to or reserve opinions on the following proposals.
The sixth session of the 13th term 2021.04.28	This meeting is only for the internal audit business report and the first quarter financial statement report, without discussion	
The seventh session of the 13th term 2021.06.23	Proposal to reschedule the date and venue of the 2021 shareholders' meeting of the company	
The eighth session	1. 2020 directors' remuneration distribution plan	

Date of board meeting	Content of proposal	Opinions of all independent directors and subsequent treatment
of the 13th term 2021.8.04	2. Remuneration distribution plan for managers in 2020	
The ninth session of the 13th term 2021.11.03	1. "Signing of internal audit business report" 2. Ratification of the change of spokesperson of the company 3. Formulate the "operation procedures and guidelines of conducts for ethical corporate management" 4. Amendment to "procedures for acquisition or disposal of assets" 5. Amendment to the rules of procedure of the board of directors 6. Amendment of relevant internal control contents in the "approval authority form" 7. Amendment of relevant internal control contents in the "seal management measures" 8. Amendment of relevant internal control contents in the "sales and collection cycle (manufacturing)" 9. Amendment of relevant internal control contents in the "sales and collection cycle (channel)"	
The 10th session of the 13th term 2021.12.22	1. Approval of annual audit plan in 2022 2. The evaluation results of the independence of the CPAs for 2022 3. Review of directors' and managers' remuneration for 2021 4. Amendment to the organizational procedures of the Remuneration Committee	

(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 fifth session of the 13th term 2021.03.18	Yi-Tong Shen	Manager's salary adjustment evaluation in 2021	Concurrently acting as general manager	Recusal from voting on the motion
The eighth session of the 13th term 2021.8.04	Yi-Tong Shen	Remuneration distribution plan for managers in 2020	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, 2021 to December 31, 2021.
- (IV) Evaluation scope: including the performance evaluation of the overall board of directors, individual board members and functional committees.
- (V) Evaluation method: self-evaluation, including internal self-evaluation of the board of directors and

functional committees and self-evaluation of board members.

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

(VII) Evaluation results:

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

The performance evaluation and measurement items of the board of directors of the company cover five aspects, with a total of 45 questions and a full score of 5 points. The score results of each aspect are shown in the table below, with an average score of 4.65 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	4.67	
C. Composition and structure of the board of directors	7	4.76	
D. Selection and continuing education of directors	7	4.61	
E. Internal controls	7	4.67	
Total / average	45	4.65	Excellent

2. Performance evaluation result of the board members: Excellent

The total number of questions is 23, with a full score of 5. The average score of each component is 4.66 out of 5.

Item	Number of questions	Average score	Evaluation
A. Mastery of company objectives and tasks	3	4.62	
B. Cognition of directors' responsibilities	3	4.62	
C. Participation in the operation of the company	8	4.63	
D. Internal relationship management and communication	3	4.71	
E. Professional and continuing education of directors	3	4.67	
F. Internal controls	3	4.71	
Total / average	23	4.66	Excellent

(VIII) Conclusion:

According to the evaluation results, the organizational operation of the board of directors is in good condition. The company will continue to refine the functions of the board of directors, improve the enterprise operation and implement the effectiveness of corporate governance.

- IV. The objectives of strengthening the functions of the board of directors in the current year and the most recent year (such as establishing an audit committee, improving information transparency, etc.) and the evaluation of the implementation:
- (I) The schedule of the annual meeting is planned and scheduled in advance.
 - (II) The discussion unit shall consult relevant units about one month before the meeting of the board of directors.
 - (III) The board of directors of the company continues to strengthen corporate governance and is committed to the improvement of corporate governance.
 - (IV) The Audit Committee and the Remuneration Committee established under the board of directors of the company assist the board of directors in performing their supervisory duties respectively.
 - (V) The company has formulated the performance evaluation measures of the board of directors as the goal for the operation of the board of directors and functional committees.
 - (VI) The company has established a Remuneration Committee since 2011 to formulate and regularly review the performance evaluation of directors and managers, so as to strengthen the functions of the board of directors.
 - (VII) According to the provisions of laws and regulations, we regularly or irregularly announce the company's major financial and business information.
 - (VIII) Since the chairman and the general manager of the company are the same person, in order to strengthen the functions of the board of directors, the ninth session of the 13th term board of directors on November 3, 2021 adopted that for the audit report, one director was added for signature.

(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 2022, 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 5 meetings in the most recent year [A], and the attendance of independent directors is as follows:

	Name	Actual attendance B	Number of delegated attendance	Actual attendance (%) [B / A] (Note)	Remark
Independent director	Jun- Ming Wang	5	0	100	Chairman
Independent director	Yong- Cheng Chun	5	0	100	Committee member
Independent director	Xiao- Long Feng	5	0	100	Committee member

Other matters to be recorded:

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

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

Date of Audit committee	Content of proposal	Resolution results of the Audit committee and follow-up treatment
The fifth session of the seventh term on March 18, 2021	<ol style="list-style-type: none"> 1. Internal control audit report 2. 2020 "effectiveness assessment of internal control system" and "statement of internal control system" 3. Amendment to the articles of association 4. Amendment to "procedures for election of directors" 5. Amendment to the "management measures for the preparation process of financial statements" 6. 2020 annual business report and financial statement audit report 7. 2020 earning distribution 	All members of the Audit Committee have not expressed any objection or reservations for the following proposals, and the proposals have been adopted by all members.
The sixth session of the seventh term 2021.04.28	Internal control audit report	
Seventh session of the seventh term 2021.08.04	<ol style="list-style-type: none"> 1. Internal control audit report 2. Review of financial statements for the second quarter of 2021 	
The eighth session of the seventh term 2021.11.03	<ol style="list-style-type: none"> 1. Internal control audit report 2. "Signature and approval of internal audit business report" 3. Formulate the "operation procedures and guidelines of conducts for ethical corporate management" 4. Amendment to "procedures for acquisition or disposal of assets" 5. Amendment to the rules of procedure of the board of directors 6. Amendment of relevant internal control contents in the "approval authority form" 7. Amendment of relevant internal control contents in the "seal management measures" 8. Amendment of relevant internal control contents in the "sales and collection cycle (manufacturing)" 9. Amendment of relevant internal control contents in the "sales and collection cycle (channel)" 	
The ninth session of the seventh term 2021.12.22	Internal control audit report	

- (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 2021:

Communication method and date	Communication method	Communication results
The fifth session of the seventh term Audit Committee 2021.03.18	Audit business performance report from December 2020 to February 2021	Agree, no other comments
The sixth session of the seventh term Audit Committee 2021.04.28	Audit business performance report in March 2021	Agree, no other comments
The 7th session of the 7th term Audit Committee 2021.08.04	Performance report of audit business from April to June of 2021	Agree, no other comments
The eighth session of the seventh term Audit Committee 2021.11.03	Audit business performance report from July to September 2021	Agree, no other comments
The ninth session of the seventh term Audit Committee 2021.12.22	Audit business performance report from October to November 2021	Agree, no other comments

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 2021:

Date	Communication method	Communication object	Communication matters	Communication results
2021.03.18	Before the Audit Committee	CPAs	1. Audit results of consolidated and parent only financial reports in 2020 2. Matters of concern by the competent authority 3. Update of important accounting standards or interpretation letters, securities regulatory laws and tax laws	Agree, no other comments
2021.08.04	Before the Audit Committee	CPAs	1. Review results of consolidated financial report for the second quarter of 2021 2. Annual audit plan	Agree, no other comments

The communication between the company's CPAs and the Audit Committee, including the review or audit results of the second quarter and annual financial reports, the scope and time plan of the review

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

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

- (I) Perform the performance evaluation of the board of directors and functional committees in accordance with the company's "board performance evaluation measures".
- (II) Evaluation cycle: the performance evaluation of the internal board of directors shall be carried out at least once a year.
- (III) Evaluation period: from January 1, 2021 to December 31, 2021.
- (IV) Evaluation scope: including the performance evaluation of the overall board of directors, individual board members and functional committees.
- (V) Evaluation method: self-evaluation, including internal self-evaluation of the board of directors and functional committees and self-evaluation of board members.
- (VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point
- (VII) Performance evaluation results of the Audit Committee: excellent
According to the performance evaluation of the Audit Committee, the measurement results cover five aspects, the total number of questions is 21, and the average score of each dimension is 4.67 (full score is 5).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the company	4	4.67	
B. Awareness of responsibilities of the Audit Committee	5	4.67	
C. Provide functional committee decision-making quality	7	4.67	
D. Composition and member selection of the Audit Committee	2	4.67	
E. Internal controls	3	4.56	
Total / average	21	4.65	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			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				No significant difference
(I) Whether the company has established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation, and implement them in accordance with the procedures?	V		(I) The company's internal operating procedures for handling shareholders' suggestions, doubts, disputes and litigation matters: collect relevant issues raised by shareholders through the contact telephone and e-mail of the spokesperson and acting spokesperson. If it is shareholders' suggestions and doubts, the spokesperson and acting spokesperson shall handle and respond to them. In case of disputes and litigation matters, the legal affairs unit shall handle and respond. However, the relationship between the company and its shareholders is harmonious, and there has been no dispute or litigation.	
(II) Does the company have a list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders?	V		(II) The company has stock affairs handling personnel and the assistance of the Stock Affairs Agency Department of Capital Securities to regularly disclose the pledge, increase or decrease of the company's shares, or other important matters that may cause changes in shares held by shareholders and directors holding more than 10%, so as to master the major shareholders and ultimate controller of major shareholders. 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?	V		(III) The company has formulated the "operating procedures for transactions between group enterprises, specific companies and related parties" and the "measures for the operation and management of subsidiaries", which clearly regulate the transactions with related enterprises, so as to establish a complete firewall and achieve a risk control mechanism.	
(IV) Does the company have internal regulations to prohibit insiders from trading securities by using unpublished information on the market?	V		(IV) 1. The company has established "internal major information processing procedures" as major information processing procedures, which prohibit insiders from using undisclosed information on the market to buy and sell securities. In addition, it is expressly prohibited for the company's directors, managers, employees, appointees or persons with substantial control ability to obtain any improper interests in the "operation procedures and conduct guidelines for ethical corporate management".	

Evaluation items	Operation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
			<p>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.</p> <p>3. In this year, the Finance Department prepared an advocacy briefing for 0.5 hours on November 1, 2021 to carry out relevant education and advocacy for the current directors, managers and relevant employees. The course content includes the clear time point, disclosure method, release time and terms of the current major information to strengthen the confidentiality awareness of internal insiders.</p> <p>4. On November 30, 2021, the Audit Office conducted an one-hour briefing for employees on the rules of ethical corporate management.</p>	
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Does the board of directors formulate diversification policies, specific management objectives and implement them?</p>	V		<p>(I) The diversification policy for the composition of the board of directors of the company It is formulated in the "code of practice on corporate governance" and the "measures for the election of directors" and disclosed on the company's website. The contents are as follows: The members of the board of directors shall consider diversification and formulate appropriate diversification policies based on their own operation, business type and development needs, which should include but not limited to the following two standards:</p> <ol style="list-style-type: none"> 1. Basic conditions and values: gender, age, nationality and nationality, etc. 2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience. <p>Members of the board of directors shall generally have the knowledge, skills and literacy necessary for the performance of their duties. In order to achieve the ideal goal of corporate governance, the overall capabilities of the board of directors are as follows:</p> <ol style="list-style-type: none"> 1. Operational judgment. 2. Accounting and financial analysis ability. 3. Operation and management ability. 4. Crisis management ability. 5. Industrial knowledge. 6. International market view. 7. Leadership. 	No significant difference

Evaluation items	Operation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
(II) In addition to setting up salary and Remuneration Committee and Audit Committee according to law, does the company voluntarily set up other functional committees?	V		<p>8. Decision making ability.</p> <p>The board of directors of the company has a total of seven directors. The overall ability of the board of directors meets the needs of the company's future development and implements the diversification policy of the company's board of directors. For the implementation of the diversification policy of the company's board of directors, please refer to pages 18-31 of this annual report.</p> <p>(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.</p>	
(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?	V		<p>(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.</p> <p>Before the end of the next year, a questionnaire shall be used to evaluate the operation of the Remuneration Committee and the Audit Committee of the board of directors and the self-assessment of directors. The operation of the board of directors, the Remuneration Committee and the Audit Committee shall be evaluated by the responsible secretarial units, and the results, together with the directors' self-assessment, shall be used as the reference basis for nominating directors and determining their remuneration.</p> <p>The evaluation of the operation of the board of directors, the Remuneration Committee and the Audit Committee in 2021 was carried out in December 2021. The overall operation result was excellent through the evaluation of various functional committees, and the report of the board of directors was made on March 17, 2022. For the evaluation results, please refer to the self-evaluation results of the board of directors and directors on pages 35-36, the self-evaluation results of the Audit Committee on pages 39-40 and the self-evaluation results of the salary and Remuneration Committee on pages 54-55 of this annual report.</p>	
(IV) Does the company regularly evaluate the independence of CPAs?	V		<p>(IV) The CPAs of the company maintain a rigorous and impartial attitude and detached and independent spirit when auditing / reviewing the company's financial statements. The Finance Department evaluates the independence and competence of CPAs every year since 2020, and submits them to the board of directors for resolution.</p> <p>The evaluation results of CPAs' independence and competence in 2021 were submitted to the board of directors for resolution on March 18,</p>	

Evaluation items	Operation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies
	Yes	No	Summary description	
			2021. Please refer to page 49 of this annual report for the evaluation results.	
IV. Whether a TWSE/TPEX-listed company has set up a full-time (part-time) corporate governance unit or personnel to be responsible for corporate governance related affairs (including but not limited to providing data required by directors and supervisors to perform business, handling matters related to meetings of the board of directors and shareholders in accordance with the law, handling company registration and change registration, making minutes of meetings of the board of directors and shareholders, etc.)?	V		<p>The Finance Department is responsible for corporate governance related affairs concurrently. The main responsibilities are to handle the matters related to the meetings of the board of directors and the shareholders' meeting according to law, prepare the minutes of the board of directors and the shareholders' meeting, assist the directors in taking office and continuing study, provide the data required by the directors to perform their business, and assist the directors in complying with the laws and regulations.</p> <p>The business performance in 2021 is as follows:</p> <ol style="list-style-type: none"> 1. It is the main contact window between directors and the company. 2. Assist the directors in performing their duties, provide the company information required by the directors at the meeting, and maintain smooth communication between the directors and the business executives. 3. Provide relevant training course information for directors and assist in arranging directors' further study. 4. Assist in arranging the communication between the audit members, the CPAs and the audit supervisor. 5. Draft the agenda of the board of directors and notify the directors, convene the meeting and provide meeting data. If the topic needs recusal for interest, a prior reminder should be given, and the minutes of the board of directors meeting should be completed within 20 days after the meeting. 6. Assist in handling the affairs of the shareholders' meeting. 	No significant difference
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder zones on the company's website, and properly respond to important corporate social responsibility issues concerned by stakeholders?	V		<p>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.</p> <p>Investor relations contact window (02)26626074 #501 Executive vice president Yong-Xiang Zhou /#301 Manager Ya-Ping Liu Customer service window: service site Customer complaint window: North District (02) 23221769 AVP Shi-Zhe Lin; Central South District (07) 2358069 AVP Xin-Xiong Huang For specific instructions, please refer to the description of stakeholders on pages 46-47 (V) of this annual report.</p>	No significant difference
VI. Does the company appoint a professional stock affairs agency to handle the affairs of the shareholders' meeting?	V		The company appoints a professional stock affairs agency - Capital Securities Co., Ltd. to assist in handling the affairs of the shareholders' meeting.	No significant difference
VII. Information disclosure (I) Does the company set up a website to	V		(I) The company's financial, business and	No significant difference

Evaluation items	Operation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
	Yes	No	Summary description	
disclose financial business and corporate governance information?			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 Vice President Yong-Xiang Zhou) and an acting spokesman (manager Ya-Ping Liu) to uniformly speak the relevant information of the company to the public. A dedicated unit is also responsible for the collection, disclosure and update of information on shareholders, laws, investment and market. There was no investor conference presentation in 2021, and in the future, the meeting process will be placed on the company website	
(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 announcing the un-audited profit and loss every month, the company also announced and reported the annual financial report, the first, second and third quarter financial reports and the operation of each month in advance according to the specified time limit. 2. Please refer to the MOPS (website https://mops.twse.com.tw) for the above relevant information and the company's website (www.crete.com.tw)	
VIII. Does the company have other important information that is helpful to understand the operation of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations, rights of interested parties, further education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, purchase of 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				

Evaluation items	Operation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies												
	Yes	No	Summary description													
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. Hold health lectures - hire professional doctors to give lectures in the factory																
<table><tr><th>Date</th><th>Lecturer</th><th>Subject</th><th>Lecture time</th></tr><tr><td>2021.05.05</td><td>Dr. Tan, Far Eastern Memorial Hospital</td><td>Metabolic syndrome and prevention of "three highs"</td><td>1 hour</td></tr><tr><td>2021.10.06</td><td>Dr. Tan, Far Eastern Memorial Hospital</td><td>Skeletal muscle health care</td><td>1 hour</td></tr></table>					Date	Lecturer	Subject	Lecture time	2021.05.05	Dr. Tan, Far Eastern Memorial Hospital	Metabolic syndrome and prevention of "three highs"	1 hour	2021.10.06	Dr. Tan, Far Eastern Memorial Hospital	Skeletal muscle health care	1 hour
Date	Lecturer	Subject	Lecture time													
2021.05.05	Dr. Tan, Far Eastern Memorial Hospital	Metabolic syndrome and prevention of "three highs"	1 hour													
2021.10.06	Dr. Tan, Far Eastern Memorial Hospital	Skeletal muscle health care	1 hour													
(III) Investor relations: in order to make it easier for investors to understand the operation of the company, a "spokesperson" system is set up to facilitate direct communication between investors and the company. Timely disclose relevant information of the company at the "MOPS" and the company's website.																
1.																
2.																
(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.																
<table><tr><th>Stakeholder</th><th>Main issues of concern</th><th>Communication channel and response method</th></tr><tr><td>Shareholder</td><td>Market image / economic performance / compliance with environmental laws and regulations / environmental assessment of suppliers / investment / labor employment relationship / health and safety of customers / product and service labeling / ethical corporate management</td><td>1. The shareholders' meeting is held in the second quarter of each year. It was held on July 15 in 2021 due to the impact of COVID-19. The motion shall be voted on a case by case basis, and shareholders can also exercise their voting rights through electronic means to fully participate in the motion voting process. After the meeting, the voting results of each proposal shall be announced at the MOPS. 2. The annual report of the shareholders' meeting and business report shall be issued every year for investors' reference. 3. Publish the statistics of the previous month's revenue, the revenue of each product business and the un-audited profit and loss information on the MOPS and the company's website every month. 4. Set up an investor zone on the company's website to provide other non-financial related information of the company.</td></tr><tr><td>Employee</td><td>Labor employment relationship / non-discrimination / occupational health and safety / diversity and equal opportunities / talent cultivation / remuneration and welfare system / ethical corporate management</td><td>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 offices are arranged to go to the medical institutions with agreed health examination with the company.</td></tr><tr><td>Supplier</td><td>Market image / economic performance / compliance with environmental laws and regulations / labor employment relationship / labor evaluation of suppliers / anti-corruption / ethical corporate management</td><td>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</td></tr></table>					Stakeholder	Main issues of concern	Communication channel and response method	Shareholder	Market image / economic performance / compliance with environmental laws and regulations / environmental assessment of suppliers / investment / labor employment relationship / health and safety of customers / product and service labeling / ethical corporate management	1. The shareholders' meeting is held in the second quarter of each year. It was held on July 15 in 2021 due to the impact of COVID-19. The motion shall be voted on a case by case basis, and shareholders can also exercise their voting rights through electronic means to fully participate in the motion voting process. After the meeting, the voting results of each proposal shall be announced at the MOPS. 2. The annual report of the shareholders' meeting and business report shall be issued every year for investors' reference. 3. Publish the statistics of the previous month's revenue, the revenue of each product business and the un-audited profit and loss information on the MOPS and the company's website every month. 4. Set up an investor zone on the company's website to provide other non-financial related information of the company.	Employee	Labor employment relationship / non-discrimination / occupational health and safety / diversity and equal opportunities / talent cultivation / remuneration and welfare system / ethical corporate management	1. Labor management meetings are held quarterly. 2. An employee welfare committee has been established, and the members are elected by the employees themselves to coordinate various welfare measures. 3. Establish a labor retirement reserve supervision committee to supervise the company to allocate sufficient old-system pensions to ensure the due welfare of employees. 4. There are educational and training procedures to cultivate talents. 5. Hold emergency response drills every year to urge employees to pay attention to workplace and their own safety. 6. Every year, a professional and qualified medical team is hired to go to the factory and Taipei Branch for health examination for employees, and colleagues in other business offices are arranged to go to the medical institutions with agreed health examination with the company.	Supplier	Market image / economic performance / compliance with environmental laws and regulations / labor employment relationship / labor evaluation of suppliers / anti-corruption / ethical corporate management	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
Stakeholder	Main issues of concern	Communication channel and response method														
Shareholder	Market image / economic performance / compliance with environmental laws and regulations / environmental assessment of suppliers / investment / labor employment relationship / health and safety of customers / product and service labeling / ethical corporate management	1. The shareholders' meeting is held in the second quarter of each year. It was held on July 15 in 2021 due to the impact of COVID-19. The motion shall be voted on a case by case basis, and shareholders can also exercise their voting rights through electronic means to fully participate in the motion voting process. After the meeting, the voting results of each proposal shall be announced at the MOPS. 2. The annual report of the shareholders' meeting and business report shall be issued every year for investors' reference. 3. Publish the statistics of the previous month's revenue, the revenue of each product business and the un-audited profit and loss information on the MOPS and the company's website every month. 4. Set up an investor zone on the company's website to provide other non-financial related information of the company.														
Employee	Labor employment relationship / non-discrimination / occupational health and safety / diversity and equal opportunities / talent cultivation / remuneration and welfare system / ethical corporate management	1. Labor management meetings are held quarterly. 2. An employee welfare committee has been established, and the members are elected by the employees themselves to coordinate various welfare measures. 3. Establish a labor retirement reserve supervision committee to supervise the company to allocate sufficient old-system pensions to ensure the due welfare of employees. 4. There are educational and training procedures to cultivate talents. 5. Hold emergency response drills every year to urge employees to pay attention to workplace and their own safety. 6. Every year, a professional and qualified medical team is hired to go to the factory and Taipei Branch for health examination for employees, and colleagues in other business offices are arranged to go to the medical institutions with agreed health examination with the company.														
Supplier	Market image / economic performance / compliance with environmental laws and regulations / labor employment relationship / labor evaluation of suppliers / anti-corruption / ethical corporate management	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														

Evaluation items		Operation		Differences and reasons from the code of practice on corporate governance of TWSE/TPEx-listed companies
		Yes	No	
				Summary description
				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 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. It was not held in 2021 due to the impact of COVID-19. (2) Conduct customer satisfaction survey every year to improve customer service. (3) Assist customers in product technical discussion from time to time. (4) e-supply chain system to provide overall supporting services for customer business.
Government office	Business performance / ethical corporate management / compliance with environmental regulations / waste water management / air pollutant management / waste management / compliance with socio-economic regulations / climate change and energy conservation and carbon reduction / water resources management			1. 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:

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

Title	Name	Study date	Organizer	Course name	Hours of education	Whether the study meets the requirements
Independent director	Yong-Cheng Chun	2021.01.22	Taiwan Corporate Governance Association	Competition for management rights and case analysis	3	Yes
		2021.10.22	Taipei Bar Association	Recent development of lawyer ethics after the amendment of the Attorney Regulation Act	3	Yes
		2021.12.14	Taiwan Corporate Governance Association	On the prevention and control of money laundering and anti-terrorism from illegal cases	3	Yes
Independent director	Jun-Ming Wang	2021.09.28	Taiwan Corporate Governance Association	Advanced practice sharing of Audit Committee - towards 3.0 (best practice of convener of Audit Committee)	3	Yes
		2021.11.09	Taiwan Corporate Governance Association	How does the Audit Committee supervise the effectiveness of internal control	3	Yes
Independent director	Xiao-Long Feng	2021.09.28	Taiwan Corporate Governance Association	Advanced practice sharing of Audit Committee - towards 3.0 (best practice of convener of Audit Committee)	3	Yes
		2021.11.09	Taiwan Corporate Governance Association	How does the Audit Committee supervise the effectiveness of internal control	3	Yes

Evaluation items				Operation			Differences and reasons from the code of practice on corporate governance of TWSE/TPEX-listed companies	
				Yes	No	Summary description		
Director	Wen-Chun Cai	2021.03.11	Accounting Research and Development Foundation	Analysis of tax law compliance control and practical cases of international diversification	6	Yes		
		2021.03.24	Accounting Research and Development Foundation	Self-compilation of financial statements: accounting estimation and asset impairment	3	Yes		
		2021.10.15	Securities and Futures Institute	Analysis and case study on the related party transaction of directors and supervisors	3	Yes		
		2021.10.28	Securities and Futures Institute	Internal audit of functional committee operations	6	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 (start and end)			
Directors and managers		Fubon Insurance Co., Ltd.		Limit of liability: US\$5 million	2020/8/1~2021/8/1			
Directors and managers		Fubon Insurance Co., Ltd.		Limit of liability: US\$5 million	2021/8/1~2022/8/1			
The renewal in 2021 was reported at the 8th session of the 13th term board of directors on August 4, 2021.								
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 company is not included in the evaluated company, so it is not applicable.								

Note: evaluation form of CPAs' independence and competence in 2021

CPAs' Independence Evaluation Form

Evaluation Date: February 26, 2021

Evaluation year: 2021

Name of CPAs firm: KPMG

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

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

Evaluation results:

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

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

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

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

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


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


By the end of April 2022, the Remuneration Committee of the company is composed of all three independent directors.

- ◆ This committee is unpaid.


◆ (1) Members of the Remuneration Committee

March 31, 2022

Condition		Professional qualifications and experience	Independence	Number of members of remuneration committees of other public companies
Identity	Name			
Independent Director / Convener	<div></div> <div>Jun- Ming Wang</div>	<div>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.</div> <div>2. Working experience in business, finance, accounting and company business</div> <div>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</div> <div>4. No any circumstance under Article 30 of the Company Act</div>	<div>1. Not an employee of the company or its affiliated enterprises</div> <div>2. Not a director or supervisor of the company or any of its affiliates.</div> <div>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.</div> <div>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.</div> <div>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</div> <div>6. Not a director - a member of the governing board or a director, supervisor, or employee of another company controlled by the</div>	None

			<p>same person having a majority of voting shares</p> <p>7. Not a director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company</p> <p>8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.</p> <p>9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the company and any affiliated company for remuneration from the latest two years</p> <p>10. 1. No spouse or kinship within the second degree with other directors</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
Independent director	 Yong- Cheng Chun	<p>1. passed the examination for lawyers and the special examination for magistrates; practicing lawyer of Yong- Cheng Chun (Zhisheng) Law Firm</p> <p>2. Professional and technical personnel who have passed the examination of lawyers and magistrates with certificates, and have the working experience</p>	<p>1. Not an employee of the company or its affiliated enterprises</p> <p>2. Not a director or supervisor of the company or any of its affiliates.</p> <p>3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor</p>	None

		<p>required by business, legal affairs, finance, accounting and company business</p> <p>3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act</p>	<p>children, or in the name of others.</p> <p>4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.</p> <p>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act</p> <p>6. Not a director - a member of the governing board or a director, supervisor, or employee of another company controlled by the same person having a majority of voting shares</p> <p>7. Not a director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company</p> <p>8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.</p> <p>9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the company and any affiliated</p>	
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			<p>company for remuneration from the latest two years</p> <p>10. Not a spouse or a relative within the second degree of kinship with any director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
Independent director	 <p>Xiao- Long Feng</p>	<p>1. Reporter of Broadcasting Corporation of China (BCC), interview team leader, general editor and director, manager of news department and director of BCC, spokesman of BCC, director of Satellite Television Broadcasting Association, R.O.C., director of China Journalism Society, part-time lecturer of Department of Radio, Television and Film and Department of Journalism and part-time assistant professor of Shih Hsin University, part-time lecturer of Mass Communication and Department of Journalism of Fu Jen Catholic University.</p> <p>2. Working experience in business, finance, accounting and company business</p> <p>3. A member of the Audit Committee and the Remuneration Committee and has no circumstances under Article 30 of the Company Act</p>	<p>1. Not an employee of the company or its affiliated enterprises</p> <p>2. Not a director or supervisor of the company or any of its affiliates.</p> <p>3. Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.</p> <p>4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.</p> <p>5. Not a director, supervisor, or employee of a corporate shareholder that directly holds greater than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held or appoints the representative as director or supervisor of the company under Paragraphs 1 or 2, Article 27 of the Company Act</p> <p>6. Not a director - a member of the governing board or a director, supervisor, or</p>	None

			<p>employee of another company controlled by the same person having a majority of voting shares</p> <p>7. Not a director (member of the governing board), supervisor (member of the supervising board), or employee who or whose spouse is the same person as the chairman or president or has an equivalent position of the Company</p> <p>8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.</p> <p>9. Not a person that provides audit or commercial, legal, financial, accounting, or other services to the company and any affiliated company for remuneration from the latest two years</p> <p>10. Not a spouse or a relative within the second degree of kinship with any director.</p> <p>11. Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.</p>	
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(2) Operation of Remuneration Committee

1. The Remuneration Committee of the company consists of three members.
2. Term of office of the current (fourth term) member: June 18, 2020 to June 17, 2023.

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

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

Other matters to be recorded:

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

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

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

No member has any objection or reservation.

- III. 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, 2021 to December 31, 2021.
- (IV) Evaluation scope: including the performance evaluation of the overall board of directors, individual board members and functional committees.
- (V) Evaluation method: self-evaluation, including internal self-evaluation of the board of directors and functional committees and self-evaluation of board members.
- (VI) Rating: excellent / very agreeable, 5 points; Excellent / agreed 4 points; Medium / ordinary 3 points; Poor / disagree 2 points; Extremely poor / very disagree 1 point
- (VII) Performance evaluation results of the Remuneration Committee: excellent

In the performance evaluation of the Remuneration Committee, the measurement results cover five aspects,

the total number of questions is 21, and the average score of each aspect is 4.82 (the full score is 5).

Measurement items	Number of questions	Average score	Evaluation
A. Participation in the operation of the company	4	4.92	
B. Awareness of Remuneration Committee Responsibilities	4	4.67	
C. Improvement on the decision-making quality of the Remuneration Committee	7	4.62	
D. Composition and member selection of Remuneration Committee	3	4.89	
E. Internal controls	3	5.00	
Total / average	21	4.82	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 2021 Remuneration Committee

Date of Remuneration Committee	Content of proposal	Member opinion	Handling of opinions
The fourth session of the fourth term 2021.03.09	<ol style="list-style-type: none"> Review the performance evaluation of the company's directors and managers in 2020 Review the proposal on the remuneration of directors and employees of the company in 2020 Review the company's salary adjustment plan for 2021 Review the salary adjustment evaluation of managers of the company in 2021 	No objection and reservation	None
The fifth session of the fourth term 2021.07.16	<ol style="list-style-type: none"> The company's 2020 directors' remuneration distribution plan Remuneration distribution plan of the company's managers in 2020 	No objection and reservation	None
The sixth session of the fourth term 2021.12.10	<ol style="list-style-type: none"> Review of the remuneration of directors and managers of the company in 2020 Amendment to the company's "organizational procedures of Remuneration Committee" 	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:

Promoted items	Implementation			Differences and reasons between the code of practice for sustainable development of TWSE/TPEX-listed companies
	Yes	No	Summary description	
I. Does the company establish a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is handled by the senior management authorized by the board of directors, and the supervision of the board of directors?		✓	<ol style="list-style-type: none"> Although the company has not set up a full-time (part-time) unit to promote sustainable development, it has also taken relevant measures in line with the government's governance blueprint to promote sustainable development. Such as implementing corporate governance, strengthening the functions of the board of directors (performance evaluation of functional committees, insurance of directors' and supervisors' liability insurance), diversification of the board of directors and diversified information disclosure, improving information transparency (regular announcement of un-audited profits and losses), strengthening stakeholder communication (setting up a special area on the company's website), electronic voting, etc. According to the responsibilities of each organization of the company, the responsibilities of each unit are as follows:- The Finance Department is responsible for the operation and management - responsible for corporate governance, sustainable operation, business performance and risk control. The Audit Office is responsible for the ethics of operation and management The Marketing Department is responsible for social participation - responsible for promoting products and increasing visibility. The Purchasing Department and Business Department are responsible for the supply chain - the Purchasing Department is responsible for supplier management and raw material control; the Business Department is responsible for customer satisfaction. The HR Department is responsible for labor rights and interests - responsible for salary and welfare, labor relations and talent cultivation. The Industrial Safety Department is responsible for the environmental aspects - occupational health and safety, pollution source management and greenhouse gas 	No significant difference

			<p>management.</p> <p>The Industrial Safety Department is responsible for the environmental aspect and actively promote various measures to reduce the impact of climate change on the company.</p> <p>3. Conduct corporate advocacy to directors through the board of directors; it also advocates employees through meetings or networks from time to time, so as to achieve sustainable environmental, social and economic development.</p>	
II. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 2)	✓		<p>The company has formulated relevant rules and codes according to the actual operation. For example, the "code of ethical corporate management", "code of ethical conduct" and "self evaluation procedure of internal control system" are formulated for the implementation of risk management policies, and the contents are formulated in accordance with relevant government regulations. Please refer to note 1 on page 67 of this annual report for specific instructions on risk assessment of major issues.</p>	No significant difference
III. Environmental issues (I) Does the company establish an appropriate environmental management system according to its industrial characteristics?	✓		<p>1. In order to fulfill the corporate responsibility of environmental protection and taking care of the safety and health of colleagues, and based on the conscious awareness of environmental protection, the management needs of pollution prevention and control, and the responsibility of environmental protection and social responsibility, the company established an environmental management system according to the requirements of ISO-14001 International standard in 2003, passed the ISO-14001 environmental management system certification in October 2005, and incorporated RoHS production into the ISO140014 system in 2006 to set environmental sustainability objectives and regularly review progress. Through the operation of the environmental management system (ISO14001), it also has an "environmental manual" and relevant management procedures according to its own industrial characteristics, holds an environmental management review meeting every six months, and is audited by external units to the factory every year. And we continue to pay attention to the revision of relevant laws and regulations, so that the company can formulate countermeasures in time, achieve the purpose of effectively controlling environmental risks, and improve employees' awareness of harmful substances and emergency response ability.</p> <p>2. The company is committed to promoting smoke prevention and health promotion in the workplace. It has been assessed by the Health Promotion Administration, MOHW as meeting the Tex Year Award Badge of Accredited Healthy Workplace.</p> <p>3. Certificate related information</p> <p>❖ISO 9001-</p> <p>Issued by: Taiwan Testing and Certification Center Certificate No.: 3EAY017-03 Date of issue: September 23, 2019 Term of validity: September 22, 2022</p> <p>❖ISO 14001-</p> <p>Issued by: Taiwan Testing and Certification Center Certificate No.: 3EAE002-03 Date of issue: September 23, 2019 Term of validity: September 22, 2022</p> <p>❖Tex Year Award Badge of Accredited Healthy Workplace</p>	No significant difference

			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.	No significant difference																		
(III)	Does the company evaluate the potential risks and opportunities of climate change to enterprises now and in the future, and take relevant countermeasures?	✓	The company has the Industrial Safety Department as a special unit dealing with labor safety and environmental management. However, it is also the responsibility of all departments to maintain the environment. In addition to the "environmental manual" and relevant management procedures, it also regularly tracks and reviews the implementation of various energy conservation and carbon reduction plans, continues to pay attention to the impact of the evolution of international climate change related agreements and national laws and regulations on the company, and timely formulates appropriate countermeasures to reduce the impact on the operation and reduce the impact of the company's operation on the natural environment.	No significant difference																		
(IV)	Does the company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction or other waste management?	✓	<div>1. The purpose of the company is to promote the development of circular economy and pay considerable attention to issues related to climate change. In addition to encouraging the reuse of resources, in the daily office environment, we have used electronic invoices in 2019 and the introduction of electronic exchange mechanism of government documents in 2003, making the receiving and sending of documents more convenient and saving the transmission time of documents, paper operations and postage costs. Document paper shall be used on both sides as much as possible. A resource recycling rack has been set next to the copier to recycle the paper and greatly reduce the consumption of paper and other resources. In addition, the office promotes the setting of air conditioning temperature of 26 degrees in summer, adopts energy-saving LED T5 lamps for lighting, and advocates the mechanism of turning off lights during lunch break and after work, so as to reduce power and energy consumption and slow down the global warming.</div> <div>2. The statistics of the head office and factories in 2020 and 2021 are as follows:</div> <table><tr><td>Item</td><td>2020</td><td>2021</td></tr><tr><td>General solid waste volume - hazardous substances (ton)</td><td>1.68</td><td>1.40</td></tr><tr><td>Wood pallet clearing and transportation (3.5 tons / vehicle)</td><td>2</td><td>2</td></tr><tr><td>Plant carbon dioxide (Legal 5,000ppm)</td><td>530~778</td><td>462~647</td></tr><tr><td>Water consumption (degree)</td><td>2,360</td><td>2,215</td></tr><tr><td>Lead concentration in air</td><td>Less than 0.01913m g/m3</td><td>Less than 0.00363m g/m3</td></tr></table>	Item	2020	2021	General solid waste volume - hazardous substances (ton)	1.68	1.40	Wood pallet clearing and transportation (3.5 tons / vehicle)	2	2	Plant carbon dioxide (Legal 5,000ppm)	530~778	462~647	Water consumption (degree)	2,360	2,215	Lead concentration in air	Less than 0.01913m g/m3	Less than 0.00363m g/m3	No significant difference
Item	2020	2021																				
General solid waste volume - hazardous substances (ton)	1.68	1.40																				
Wood pallet clearing and transportation (3.5 tons / vehicle)	2	2																				
Plant carbon dioxide (Legal 5,000ppm)	530~778	462~647																				
Water consumption (degree)	2,360	2,215																				
Lead concentration in air	Less than 0.01913m g/m3	Less than 0.00363m g/m3																				
IV. (I)	Social issues Does the company formulate relevant management policies and procedures in accordance with relevant laws and regulations and	✓	<div>In order to protect the rights and interests of all workers, all human rights actions of the company strictly abide by the provisions of Labor Standards Act and regulations to protect employees. The relevant guidelines for human rights management are as follows:</div> <div>1. The company holds labor-management meeting every quarter. Although there is no labor union at present, the company holds labor-management 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</div>	No significant difference																		

International Bill of Human Rights?			<p>harmony and create a win-win situation.</p> <p>2. Formulate the "measures for appeal and punishment of sexual harassment prevention measures in the workplace" to safeguard the rights and interests and privacy of the parties.</p> <p>3. Through the "supplier evaluation method" and sending the supplier's "commitment letter of environmental restricted substances for green products" and "ISO14001 supplier environmental publicity notice" every three years, we hope to examine human rights issues with a more positive attitude and a broader perspective through communication and cooperation with suppliers, and be responsible for various social and environmental issues.</p> <p>4. On the day the newcomers report to work, the HR department will explain the company's policies to the newcomers and show the importance of human rights issues.</p>	
(II) Does the company formulate and implement reasonable employee welfare measures (including remuneration, vacation and other benefits), and properly reflect the business performance or results in the employee remuneration?	✓		<p>1. The salary and remuneration policy of employees is determined based on personal ability, contribution to the company, performance, competitiveness and future operation risks of the company. Article 20 of the articles of association of the company stipulates that if the company makes profits in the year, it shall allocate 5% ~ 10% as the remuneration of employees, which shall be distributed in shares or cash by resolution of the board of directors.</p> <p>2. It has formulated the "code of conduct for employees", "performance appraisal measures", "reward and punishment measures", "overtime and compensatory leave management measures", "employee retirement management measures", "employee leave management measures", "wedding and funeral greetings management measures" and "education and training procedures". In addition to advocating relevant corporate ethics, employee performance, reward and punishment systems, it also lists talents, systems and forward-looking deployment as assessment indicators, echoing the important mission of corporate social responsibility and people-oriented enterprise sustainable development, in order to enhance the company's future competitiveness.</p>	No significant difference
(III) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	✓		<p>1. For many years, the company has set up an environment-friendly, safe and healthy workplace in accordance with the requirements of relevant laws and regulations such as environmental protection, occupational safety, fire control and Ionizing radiation, as well as the results of environmental impact and safety risk assessment.</p> <p>2. The emergency response drill in the plant area is carried out every year and has been completed on September 30, 2021. The lecturer of Taiwan Safety and Fire Protection Association is invited to guide.</p> <p>3. We send personnel to participate in the fire prevention / fire fighting / refuge retraining held by the park management committee every six months, and have participated on March 17 and October 6, 2021.</p> <p>4. The annual health examination was carried out on February 25, 2021: general health examination: 149 people were examined; including health examination for special operations: (1) ionizing radiation: 2 persons tested (2) lead: 28 persons tested.</p> <p>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.</p> <p>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.</p> <p>7. In 2021, there was an employee commuting accident, and the company has assisted in proper handling.</p>	No significant difference
(IV) Does the company	✓		<p>1. The company has established "education and training procedures" to improve the quality of employees and enhance</p>	No significant difference

establish an effective career competency development training plan for employees?			<p>employees' professional knowledge and skills.</p> <p>2. The company's education and training is divided into pre-service training and on-the-job training.</p> <p>Pre-service training:</p> <p>It is divided into general pre-service training and pre-service training within the department.</p> <p>(1) General pre-service training:</p> <p>That is, the training of new employees is directly handled by the HR unit. The purpose is to guide new employees to be familiar with the working environment and relevant regulations, so as to integrate into the company's organizational culture. The training contents include:</p> <p>A. Description and introduction of the company's historical evolution.</p> <p>B. According to the "company organization and rights and responsibilities operating procedures", employees can understand the rights, responsibilities and responsibilities of the unit.</p> <p>C. According to the instructions of "employee work rules", employees can understand the company's management rules and regulations</p> <p>D. Publicize the company's quality policy, environmental policy and quality objectives.</p> <p>E. Description of various welfare measures of the company.</p> <p>F. Advocate the "code of practice on labor safety and health" to prevent occupational disasters.</p> <p>G. Advocate "emergency response management procedures" to reduce disaster losses.</p> <p>H. Other specified or advocated policy descriptions.</p> <p>(2) Pre-service training within the department:</p> <p>The hiring supervisor shall assign senior or professional personnel to guide the new employees, and provide pre-service guidance according to the specific work needs of the department, so that the employees can learn the situation immediately.</p> <p>On the job training:</p> <p>Since the compliance with product quality requirements will be directly or indirectly affected by the implementation of relevant staff, the heads of each unit may consider the work of employees and provide relevant professional knowledge or skill training to cultivate their ability. Training methods can be divided into internal training and external training.</p> <p>(1) 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.</p> <p>(2) External training may be assigned by the company or applied for by employees, and subsidy measure applied by employees has been stipulated.</p> <p>3. Annual training hours planning: (1) manager, deputy manager, section chief, specialist, secretary and engineer: 24h / year (2) team leader, assistant, technician and other direct employees: 15h / year</p> <p>4. For details, please refer to Page 103 of this annual report.</p>	
(V) Does the company comply with relevant laws and regulations and international standards on issues such as customer health and safety, customer privacy, marketing and	✓		<p>1. The company is committed to the R&D and innovation of manufacturing technology to provide excellent products. With the spirit of excellence, we continue to improve to provide customers with high-quality products.</p> <p>2. In terms of quality management system and environmental management system, it has passed the verification of the following standards after being verified by relevant verification institutions:</p> <p>(1) ISO9001 quality management system certification</p> <p>(2) ISO14001 environmental management system certification.</p> <p>3. The company's "code of ethical corporate management"</p>	No significant difference

labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers or customers?			<p>stipulates that the company's personnel shall abide by the relevant laws and regulations on intellectual property, standardize business activities and protect the rights and interests of consumers in accordance with applicable laws and regulations and international standards.</p> <p>4. The company has nine internal control cycles to standardize each operation process. In order to protect the rights and interests of consumers, a customer service department is set up to protect the rights and interests of consumers or customers. The customer complaint contact window is marked on the company's website (www.crete.com.tw). Customer complaint window: North District (02) 23221769 AVP Shi-Zhe Lin; Central South District (07) 2358069 AVP Xin-Xiong Huang.</p>																
(VI) Does the company formulate supplier management policies to require suppliers to comply with relevant regulations and their implementation on environmental protection, occupational safety and health or labor human rights?	✓		<p>1. Investigate and evaluate the supplier's production capacity, understanding the company's environmental policies, factory affairs and business conditions before procurement, and 2. confirm that the supplier has 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 -</p> <p>1. Rights and responsibilities: Purchasing Department: responsible for the evaluation and compilation of suppliers' delivery time and warehouse management ability. R&D Division: responsible for the evaluation of supplier's process capability. Quality Assurance Department: responsible for the evaluation of supplier quality capability.</p> <p>2. All the production materials delivered by our suppliers to our company shall meet the "environmental restricted substances standard for green products". It is expected to use the influence of the company to promote environmental protection and safety management to the main suppliers of the company through supply chain management.</p> <p>3. Supplier environmental management - (1) Environmental policy advocacy and communication of environmental requirements (2) Supplier environmental onsite audit If the supplier has significant impact on the society due to environmental pollution or violation of labor human rights, we will first ask the supplier to make an explanation, investigate according to the situation, and evaluate the feasibility of terminating or cancelling the contract.</p> <p>4. Evaluation results of 267 qualified suppliers in 2021 -</p> <table><tr><td>Item</td><td>Qualified number</td><td>% of suppliers</td></tr><tr><td>Letter of commitment for environmental protection</td><td>266</td><td>99.6</td></tr><tr><td>Letter of commitment for environmental restricted substances of green products</td><td>223</td><td>83.5</td></tr><tr><td colspan="3">Delivery quality 98%</td></tr><tr><td colspan="3">In 2021, due to the impact of COVID-19, the supplier's environmental onsite audit was not implemented</td></tr></table>	Item	Qualified number	% of suppliers	Letter of commitment for environmental protection	266	99.6	Letter of commitment for environmental restricted substances of green products	223	83.5	Delivery quality 98%			In 2021, due to the impact of COVID-19, the supplier's environmental onsite audit was not implemented			No significant difference
Item	Qualified number	% of suppliers																	
Letter of commitment for environmental protection	266	99.6																	
Letter of commitment for environmental restricted substances of green products	223	83.5																	
Delivery quality 98%																			
In 2021, due to the impact of COVID-19, the supplier's environmental onsite audit was not implemented																			
V. Does the company refer to the internationally		✓	<p>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.</p>	No significant difference															

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?				
<p>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:</p> <p>At present, the company does not have a "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". However, the company is well aware that enterprises are members of social citizens and have their own responsibilities and social responsibilities. Therefore, for a long time, no matter in the design of corporate system or the guidance of operation strategy, the company has made many consideration on issues related to corporate social responsibility. For example, it has made positive and concrete efforts to promote corporate governance and develop a sustainable environment, taking the positive thinking of human nature as the starting point, imperceptibly influence as the promotion method, and taking the integration of corporate culture as the practical goal, the operation of the whole company in sustainable development is in line with the relevant principles of the code of practice, and there is no significant difference.</p> <p>For the sustainable development operation of the company, please refer to the above description.</p>				
<p>VII. Other important information helpful to understand the implementation of promoting sustainable development:</p> <p>(I) Environmental protection</p> <p>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. 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:</p>				
Serial number	Target	Plan	Implementation	
1	Follow environmental regulations and implement pollution prevention	<ul style="list-style-type: none"> ❖ Environmental impact assessment procedure ❖ Management procedure for registration and audit of environmental protection regulations ❖ Management procedure for environmental objectives and targets ❖ Management procedure for environmental management plan implementation ❖ Operating procedures for environmental education and training ❖ Management procedure for environmental communication ❖ Management procedure for environmental supervision and measurement 	Follow environmental regulations and requirements of relevant groups, and continuously promote environmental improvement and pollution prevention	
2	Fulfill the responsibility of energy conservation, waste reduction and environmental protection	<ul style="list-style-type: none"> ❖ Waste management procedure 	Save energy, establish waste management plan in the plant, comply with laws and regulations and promote resource recycling	
3	Implement and reduce the impact of defective products on the environment	<ul style="list-style-type: none"> ❖ Management procedure for supplier and environment ❖ Operating procedure for product environment design ❖ Operating procedure for internal quality audit 	Process R&D focuses on reducing the impact of products on the environment, reducing the defective rate and reducing the generation of defective products	
4	Strengthen the concept of fire	<ul style="list-style-type: none"> ❖ Fire fighting facilities management procedure 	Strengthen the management of fire-	

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

In recent years, the Environmental Protection Administration has vigorously promoted energy conservation and carbon reduction, and the company has fully cooperated with it (such as taking fewer times of elevators and taking more stairs); According to the law, the enterprise wastes shall be cleared, transported and treated by qualified vendors, and the resource recovery and general wastes shall be handled in accordance with the regulations to reduce the possible environmental pollution. In addition, three environmental management plans shall be marked according to the company's situation every year. The implementation of the environmental management plan in 2021 is as follows:

Plan name	Responsible unit	Environmental objectives	Environmental target	Implementation
EU REACH directive management	R&D Division	Energy saving, carbon reduction, pollution prevention and harmlessness	2021 annual certification data collection, analysis and systematic sorting, and new products (DH8) fully meet the requirements of REACH specification	The follow-up test can be carried out only after the sample is completed, so the plan is postponed to April 30, 2022
Save paper	Business Division	Respond to environmental protection and reduce paper waste	Reduce paper consumption by 1%, increase the reuse rate of available paper by 10%, and recover waste paper resources by 95%	Recycled paper increased by 15%, paper consumption decreased by 5%, and the case was successfully closed
"Reduce harmful waste gas generated by welding"	Production section 1	Replace DIP process with PIH production	After the old materials in the plant are used, the production of PIH components will be gradually introduced	The new materials have been improved and the best treatment plan for the existing old materials has been found, so we postponed it to December 31, 2022

Compliance record of environmental protection regulations: there was no violation of environmental protection regulations in 2021.

The 2021 annual environmental management review meeting was held on December 29, 2021. The Industrial Safety Department made a review report on the following topics:

1. Correction effect of problems after the last environmental management review
2. Update and review of internal and external environmental issues
3. Customer feedback (including customer satisfaction and complaint feedback)
4. Review of compliance and achievement of environmental objectives
5. Effective review of environmental non-conformities and corrective action system
6. Review of environmental monitoring and measurement results
7. Results of environmental system audit (including internal / external audit)
8. Review on environmental system resource suitability

9. Review on the effectiveness of actions taken to deal with environmental risks and opportunities
10. Opportunities and suggestions for continuous improvement of environmental system (such as review of projects and special cases)
11. Review of major environmental inspection
12. Stakeholder requirements, including regulatory requirements, review of external communication and information
13. Review on identification of compliance with laws and regulations

(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.
	Prevention and control of air pollution		And provide appropriate information, education and training, so that employees and third-party manufacturers can have a better understanding of environmental protection awareness, based on all
	Prevention and control of toxic chemicals		

			employees' awareness for the earth's environmental protection, so all of our employees can contribute to the earth's environmental protection and natural symbiosis.
corporate governance	Economic performance	Good business strategy can maintain a sound capital base, sustain the confidence of investors, creditors and the market, support the development of future operations, and maximize the interests of customers, manufacturers and employees	<ol style="list-style-type: none"> 1. Continuously improve design, quality and service to achieve the highest customer satisfaction 2. Committed to the improvement of product performance and value 3. Constantly get rid of the old and bring forth the new to meet customers' demand 4. Advance and strive towards the goal of green environmental protection design, production, service and management.
	Anti-corruption	<p>"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</p> <p>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.</p>	<ol style="list-style-type: none"> 1. The new employee training course advocates the company's core value of "ethics and responsibility" 2. Formulate "code of ethical corporate management" and "code of ethical conduct".
	Socio-economic / regulatory compliance	Failure to comply with the requirements of social and economic laws and regulations may affect the corporate image, goodwill and operational risks. Therefore, the company abides by the tax commitment, advocates the principle of ethical corporate management, formulates occupational safety	

		and health procedures and advocates from time to time to maintain the long-term and stable development of the company. The company enables the employees to learn and abide by relevant laws and regulations through the advocacy of education and training and the issuance of law-abiding announcements.	
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(VI) The company's performance of ethical corporate management and measures taken:

Implementation of ethical corporate management

Evaluation items	Operation			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 (I) Whether the company has formulated a ethical corporate management policy approved by the board of directors, and clearly stated the policies and practices of ethical corporate management in the rules and external documents, as well as the commitment of the board of directors and senior management to actively implement the operation policy?	✓		(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	No significant difference

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(II) Does the company establish an evaluation mechanism for the risk of unethical conduct, regularly analyze and evaluate the business activities with high risk of unethical conduct within its business scope, and formulate a plan to prevent unethical conduct, which at least covers the preventive measures for the conducts in paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		<p>management" specifies the policies and practices of ethical corporate management in external documents.</p> <p>(II) The "operation procedures and guidelines of conduct for ethical corporate management" formulated by the company include the prohibition of unethical conduct, the reporting system, and the punishment for violation of regulations, which are placed on the website of the company. The Audit Office is designated by the company as a dedicated unit to handle the revision, implementation, interpretation, consulting services, registration and filing of notification contents and other related operations of these operating procedures, supervise the implementation, list its main responsibilities in detail, and report to the board of directors on a regular basis.</p> <p>The performance of ethical</p>	

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(III) Does the company specify the operating procedures, conduct guidelines, punishment and appeal system for violations in the plan for preventing unethical conduct, implement it, and regularly review and amend the aforementioned plan?	✓		<p>corporate management in 2021 was included in the discussion proposal at the 11th meeting of the 13th term board of directors on March 17, 2022.</p> <p>(III) The company clearly regulates the unethical conduct plan in the "operation procedures and guidelines of conduct for ethical corporate management", specifies the operation procedures, conduct guidelines, punishment and appeal system for violations, implements them, and regularly reviews and modifies the above plan, so as to improve the effectiveness of ethical corporate management of the company.</p>	
<p>II. Implement ethical corporate management</p> <p>(I) Does the company evaluate the ethical record of the trading partner and specify the ethical conduct terms in the contract signed between the company and the trading partner?</p>	✓		<p>(I) The company's "operation procedures and guidelines of conduct for ethical corporate management" -</p> <p>1. Article 17 stipulates: Before establishing business relations with others, the company shall first evaluate the legitimacy, ethical</p>	No significant difference

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			<p>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.</p> <p>2. Article 20 stipulates: When signing a contract with others, the company shall fully understand the ethical corporate management of the other party, and incorporate compliance with the ethics policy of the company into the terms of the contract. At least the following matters shall be specified in the contract:</p> <p>(1) After signing the contract, the contracting party shall advocate and explain the honesty code within the company.</p> <p>(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</p>	

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
<p>(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?</p> <p>(III) Does the company formulate policies to prevent conflicts of interest, provide appropriate presentation channels, and implement them?</p>	<p>✓</p> <p>✓</p>		<p>from the contract price payable.</p> <p>(3) If the contracting parties are involved in unethical conduct in their commercial activities, the other party may sever the trading relationship between them.</p> <p>(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. The performance of ethical corporate management in 2021 was included in the discussion proposal at the 11th meeting of the 13th term board of directors on March 17, 2022.</p> <p>(III)</p> <p>1. The company's "rules of procedure for board meetings" clearly requires that directors who have an interest in the proposals listed</p>	

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			<p>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 business.</p> <p>2. The company's "operating procedures and guidelines of conduct for ethical corporate management" and "code of ethical conduct" shall not directly or indirectly provide, promise, require 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.</p> <p>3. The internal independent</p>	

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(IV) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit formulates the relevant audit plan according to the evaluation results of the risk of unethical conduct, so as to check the compliance of the plan to prevent unethical conduct, or appoint CPAs to carry out the audit?	✓		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. (IV) The company has established internal control system, internal audit system, accounting system and various management rules, implemented the requirements and regulations of good faith operation in the implementation, conducted internal audit, and regularly and irregularly implemented relevant audit matters, and reported the audit results to the board of directors. In 2021, 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	✓		(V) On November 30 this year, the Audit Office advocated to strengthen colleagues'	

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
management?			awareness and importance of the company's rules - operation procedures and guidelines of conduct for ethical corporate management, internal major information processing operating procedures, intellectual property management measures, code of ethical corporate management, code of ethical conduct, reward and punishment operating measures, staff working rules, internal control and internal audit, supplier ethical corporate management policy statement, and called on colleagues to safeguard the honor of the company, so that colleagues can abide by the law and the rule of law and do nothing illegal.	
III. Operation of the company's whistleblower system (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 has clearly established a physical examination and reward system in the "operation procedure and guidelines of conduct for ethical corporate management", and has established an internal independent	No significant difference

Evaluation items	Operation			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
<p>(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?</p> <p>(III) Does the company take measures to protect the whistleblower from improper treatment due to reporting?</p>	✓		<p>whistleblower email vanessaw@crete.comtw Or special line (02) 26626074 * 303 is the special person for acceptance.</p> <p>(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.</p> <p>(III) The relevant measures are regulated in Article 21 of the company's "operation procedure and guidelines of conduct for ethical corporate management".</p>	
<p>IV. Strengthen information disclosure</p> <p>Does the company disclose the content and promotion effectiveness of its code of ethical corporate management on its website and MOPS?</p>	✓		It has been placed on the company's website and MOPS.	No significant difference
<p>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:</p> <p>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.</p>				

Evaluation items	Operation		Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			Summary description
<p>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)</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>			

(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
Finance manager	Ya-Ping Liu	2021.02.25	TWSE, TPEX	2021 corporate governance evaluation and advocacy meeting (online)	2
		2021.03.23	KPMG	KPMG 2021 Q1 reading club (online)- 1. Matters needing attention at the 2021 shareholders' meeting 2. Ethical corporate management of the Year of the Ox and looking forward to the future	0.5

		2021.07.23	Accounting Research and Development Foundation	Continuing education course for stock exchange accounting supervisor of issuing securities firms (video) - Practical analysis of corporate governance 3.0 "sustainability report"	3
		2021.09.16	KPMG	KPMG 2021 Q3 reading club (online) - latest securities regulation laws and practice analysis	0.5
		2021.10.01	TPEX	Advocacy meeting for what should be done by emerging board companies - online course- 上櫃永續指數 ESG 評鑑方法	0.3
Audit	Yu-Xuan Chen	2021.08.06	Accounting Research and Development Foundation	Common deficiencies in the preparation of enterprise financial reports and the compliance practice of internal audit and internal control laws and regulations (video)	6
		2021.08.10		Latest Company Act and legal compliance audit practice of shareholders' meeting (video)	6
Audit agent	Yi-Ping Liao	2021.08.17	Accounting Research and Development Foundation	Internal auditors' corporate governance literacy and financial report risk assessment practice (video)	6

(IX) Implementation status of internal control system:

1. Internal control statement

Mildef Crete Inc.
Statement of internal control system

Date: March 17, 2022

Based on the results of self-evaluation, the company's internal control system in 2021 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, 2021, 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 17, 2022. Among the seven directors present, 0 held objections, and the remaining agreed with the contents of this statement as stated.

Mildef Crete Inc.

Chairman:
Yi Tong Shen

Signature and Seal

General manager:
Yi Tong Shen

Signature and Seal

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed:
The company did not appoint CPAs to review the internal control system in 2021.

(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 July 15, 2021

1. Important resolutions of the shareholders' meeting on July 13, 2021

Motion items	Important resolutions	Implementation										
Recognition case 1	<div>The company's 2020 business report and financial statements</div> <div>Number of voting rights of shareholders present during voting: 34,657,454</div> <table><tr><th>Voting results</th><th>Percentage of voting rights</th></tr><tr><td>Number of votes in favor 34,639,550 (including e-voting 1,906,514)</td><td>99.94%</td></tr><tr><td>Number of votes against 1,014 (including e-voting 1,014)</td><td>0.00%</td></tr><tr><td>No. of invalid rights 0</td><td>0.00%</td></tr><tr><td>Number of abstentions and non-voting 16,890 (including e-voting 16,890)</td><td>0.04%</td></tr></table> <div>It has reached the standards stipulated in the law, and this case is passed as proposed.</div>	Voting results	Percentage of voting rights	Number of votes in favor 34,639,550 (including e-voting 1,906,514)	99.94%	Number of votes against 1,014 (including e-voting 1,014)	0.00%	No. of invalid rights 0	0.00%	Number of abstentions and non-voting 16,890 (including e-voting 16,890)	0.04%	According to the resolution
Voting results	Percentage of voting rights											
Number of votes in favor 34,639,550 (including e-voting 1,906,514)	99.94%											
Number of votes against 1,014 (including e-voting 1,014)	0.00%											
No. of invalid rights 0	0.00%											
Number of abstentions and non-voting 16,890 (including e-voting 16,890)	0.04%											
Recognition case 2	<div>Profit distribution plan of the company in 2020</div> <div>Number of voting rights of shareholders present during voting: 34,657,454</div> <table><tr><th>Voting results</th><th>Percentage of voting rights</th></tr><tr><td>Number of votes in favor 34,629,542 (including e-voting 1,896,506 rights)</td><td>99.91%</td></tr><tr><td>Number of votes against 11,024 (including e-voting 11,024)</td><td>0.03%</td></tr><tr><td>No. of invalid rights 0</td><td>0.00%</td></tr><tr><td>Number of abstentions and non-voting 16,888 (including e-voting 16,888)</td><td>0.04%</td></tr></table> <div>It has reached the standards stipulated in the law, and this case is passed as proposed.</div>	Voting results	Percentage of voting rights	Number of votes in favor 34,629,542 (including e-voting 1,896,506 rights)	99.91%	Number of votes against 11,024 (including e-voting 11,024)	0.03%	No. of invalid rights 0	0.00%	Number of abstentions and non-voting 16,888 (including e-voting 16,888)	0.04%	According to the content of the resolution. The chairman set August 8, 2021 as the ex-dividend base date, and all distributions were completed on August 27, 2021 (cash dividend of NT\$264,084,962, and distribution of NT\$4.5 per share)
Voting results	Percentage of voting rights											
Number of votes in favor 34,629,542 (including e-voting 1,896,506 rights)	99.91%											
Number of votes against 11,024 (including e-voting 11,024)	0.03%											
No. of invalid rights 0	0.00%											
Number of abstentions and non-voting 16,888 (including e-voting 16,888)	0.04%											

Discussion case 1	<div>Amendment to the articles of association</div> <div>Number of voting rights of shareholders present during voting: 34,657,454</div> <table><tr><td>Voting results</td><td>Percentage of voting rights</td></tr><tr><td>Number of votes in favor 34,639,520 (including e-voting 1,906,484)</td><td>99.94%</td></tr><tr><td>Number of votes against 1,049 (including e-voting 1,049)</td><td>0.00%</td></tr><tr><td>No. of invalid rights 0</td><td>0.00%</td></tr><tr><td>Number of abstentions and non-voting 16,885 (including e-voting 16,885)</td><td>0.04%</td></tr></table> <div>It has reached the standards stipulated in the law, and this case is passed as proposed.</div>	Voting results	Percentage of voting rights	Number of votes in favor 34,639,520 (including e-voting 1,906,484)	99.94%	Number of votes against 1,049 (including e-voting 1,049)	0.00%	No. of invalid rights 0	0.00%	Number of abstentions and non-voting 16,885 (including e-voting 16,885)	0.04%	It shall be handled according to the amendment
Voting results	Percentage of voting rights											
Number of votes in favor 34,639,520 (including e-voting 1,906,484)	99.94%											
Number of votes against 1,049 (including e-voting 1,049)	0.00%											
No. of invalid rights 0	0.00%											
Number of abstentions and non-voting 16,885 (including e-voting 16,885)	0.04%											
Discussion case 2	<div>Amendment to "procedures for election of directors"</div> <div>Number of voting rights of shareholders present during voting: 34,657,454</div> <table><tr><td>Voting results</td><td>Percentage of voting rights</td></tr><tr><td>Number of votes in favor 34,639,523 (including e-voting 1,906,487)</td><td>99.94%</td></tr><tr><td>Number of votes against 1,061 (including e-voting 1,061)</td><td>0.00%</td></tr><tr><td>No. of invalid rights 0</td><td>0.00%</td></tr><tr><td>Number of abstentions and non-voting 16,870 (including e-voting 16,870)</td><td>0.04%</td></tr></table> <div>It has reached the standards stipulated in the law, and this case is passed as proposed.</div>	Voting results	Percentage of voting rights	Number of votes in favor 34,639,523 (including e-voting 1,906,487)	99.94%	Number of votes against 1,061 (including e-voting 1,061)	0.00%	No. of invalid rights 0	0.00%	Number of abstentions and non-voting 16,870 (including e-voting 16,870)	0.04%	It shall be handled according to the amendment
Voting results	Percentage of voting rights											
Number of votes in favor 34,639,523 (including e-voting 1,906,487)	99.94%											
Number of votes against 1,061 (including e-voting 1,061)	0.00%											
No. of invalid rights 0	0.00%											
Number of abstentions and non-voting 16,870 (including e-voting 16,870)	0.04%											

2. Important resolutions of the board of directors

Date	Important resolutions	Implementation
The fifth session of the 13th term 2021.03.18	Performance evaluation of directors and managers in 2020	This case is passed without objection
	Remuneration distribution of directors and employees in 2020	This case is passed without objection, but it must be submitted to the 2021 annual shareholders' meeting
	2020 annual business report and financial statement audit report	This case is passed without objection, but it still needs to be resolved by the 2021 annual shareholders' meeting
	2020 earning distribution	There is no objection in this case. The allotment of NT\$4.5 per share is approved as per the proposal, but it must be resolved by the 2021 annual shareholders' meeting

	2021 annual budget and operation plan	This case is passed without objection
	2020 "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 30, 2021
	Evaluation results of CPA's independence in 2020 and 2021	This case is passed without objection
	Amendment to the articles of association	This case is passed without objection, but it still needs to be resolved by the 2021 annual shareholders' meeting
	Amendment to "procedures for election of directors"	This case is passed without objection, but it still needs to be resolved by the 2021 annual shareholders' meeting
	Amendment to the "management measures for the preparation process of financial statements"	This case is passed without objection
	Proposal on matters related to the convening of the 2021 shareholders' meeting	The case was passed without objection, and the 2021 shareholders' meeting was held on June 10, 2021
	2021 salary adjustment plan	This case is passed without objection
	Manager's salary adjustment evaluation in 2021	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 sixth session of the 13th term 2021.04.28	This is only a report, no discussion	
The seventh session of the 13th term 2021.06.23	Proposal to reschedule the date and venue of the 2021 shareholders' meeting of the company	In response to the pandemic, the case was passed without objection. The 2021 shareholders' meeting originally scheduled to be held on June 10, 2021 was changed to July 15, 2021
The eighth session of the 13th term 2021.08.04	2020 directors' remuneration distribution plan	It was approved by the Remuneration Committee and paid on August 9, 2021
	Remuneration distribution plan for managers in 2020	Except that director Yi-Tong Shen of the company recused from voting because he was also the general manager, the other directors present had no objection and passed the resolution of the Remuneration Committee as proposed, which was paid on August 9, 2021
The ninth session of the 13th term 2021.11.03	<ol style="list-style-type: none"> "Signing of internal audit business report" Ratification of the change of spokesperson of the company 	<ol style="list-style-type: none"> After the chairman consulted all the directors present, Wen-Chun Cai was appointed as director After the chairman consulted all the directors present, the new

	<ol style="list-style-type: none"> 3. Formulate the "operation procedures and guidelines of conducts for ethical corporate management" 4. Amendment to "procedures for acquisition or disposal of assets" 5. Amendment to the rules of procedure of the board of directors 6. Amendment of relevant internal control contents in the "approval authority form" 7. Amendment of relevant internal control contents in the "seal management measures" 8. Amendment of relevant internal control contents in the "sales and collection cycle (manufacturing)" 9. Amendment of relevant internal control contents in the "sales and collection cycle (manufacturing)" 	<p>spokeperson was Mr. Yong-Xiang Zhou, executive deputy general manager of the Administration Division; the new acting spokesperson is Miss Ya-Ping Liu, manager of the Finance Department</p> <p>The remaining motions were passed without objection</p>
The 10th session of the 13th term 2021.12.22	<ol style="list-style-type: none"> 1. Approval of annual audit plan in 2022 2. 2022 evaluation results of the independence of CPAs 3. Review of directors' and managers' remuneration in 2021 4. Amendment to the organizational procedures of the Remuneration Committee 	It was 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: no such situation.

(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: no such situation.
2. The company has not set up a corporate governance supervisor.
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 CPAs	CPA audit period	Audit fees	Non-audit fees	Total	Remarks
KPMG	Wei-Ming Shi	2021	1,690	390	2,080	Non audit-fees are- 1. Tax compliance audit NT\$360,000 2. Review the salary information of the company's full-time employees who did not hold the position of supervisor in 2021 as NT\$30,000
	Mei-Yan Chen	2021				

- (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: there is no such situation.

- (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: there is no such situation.
- (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: there is no such situation.

V. Change of CPAs: no such situation.

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: there is no such situation.

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	2021		Year ended March 31, 2022	
		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	2,000	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
Financial manager of System Manufacturing Business Department	Ya-Ping Liu	0	0	0	0

Note: Mr. Sheng-Xian Wang, AVP of the Business Division, is not included because he took office in May 2022.

(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 11, 2022; Unit: shares;%

Name	Shares held by the person		Shares held by spouse and minor children		Total shares held in the name of others		AMONG TEN LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANY ONE WHO IS A RELATED PARTY OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Yi-Tong Shen	3,126,244	5.33	0	0	0	0	Fang Shen / An Shen / Yi-Guang Shen	Relatives within the second degree of kinship	None
Nankang Rubber Tire Responsible person: Lin-Liang Guo	2,150,829	3.67	N/A	N/A	N/A	N/A	None	None	None
	0	0	0	0	0	0	None	None	None
Fang Shen	1,697,543	2.89	0	0	0	0	Yi-Tong Shen/ An Shen	Relatives within the second degree of kinship	None
Special investment account of Rhoda Computer under custody by Taishin Bank	1,424,071	2.43	N/A	N/A	N/A	N/A	None	None	None
Ming- Xiao Lu	945,563	1.61	0	0	0	0	None	None	None
An Shen	879,147	1.50	0	0	0	0	Yi-Tong Shen/ Fang Shen	Relatives within the second degree of kinship	None
Hui-Nan Lin	751,601	1.28	0	0	0	0	None	None	None
Shenyu Investment Co., Ltd Responsible person: Mei-He Liu	700,000	1.19	N/A	N/A	N/A	N/A	None	None	None
	0	0	0	0	0	0	None	None	None
Guo-Xiang Tang	526,780	0.90	0	0	0	0	None	None	None
Yi-Guang Shen	480,053	0.82	0	0	0	0	Yi-Tong Shen	Relatives within the second degree of kinship	None

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

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

April 30, 2022 unit: share; %

Reinvestment business	Investment of the company		Investment of directors, supervisors, managers and enterprises directly or indirectly controlled		Comprehensive investment	
	Number shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Flexbasis Technology	2,416,000	65.30%	529,000	14.30	2,945,000	79.60%

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 (1,000 shares)	Amount (NT\$1,000)	Number of shares (1,000 shares)	Amount (NT\$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
1990.3	NT\$10	6,400	64,000	1,600	16,000	Establishment of share capital	None	Note 1
1990.6	NT\$10	6,400	64,000	2,600	26,000	Cash capital increase NT\$10,000 thousand	None	Note 2
1990.11	NT\$10	6,400	64,000	3,000	30,000	Cash capital increase NT\$4,000 thousand	None	Note 3
1991.3	NT\$10	6,400	64,000	4,494.2	44,942	Cash capital increase NT\$14,942 thousand	None	Note 4
1991.12	NT\$10	6,960	69,600	6,960	69,600	Cash capital increase NT\$24,658 thousand	None	Note 5
1993.11	NT\$10	7,160	71,600	7,160	71,600	Cash capital increase NT\$2,000 thousand	None	Note 6
1997.3	NT\$10	19,800	198,000	19,800	198,000	Cash capital increase of NT\$126,400 thousand	None	Note 7
2000.9	NT\$10	19,800	198,000	11,800	118,000	Capital reduction NT\$80,000 thousand	None	Note 8
2000.9	NT\$10	19,800	198,000	16,800	168,000	Cash capital increase NT\$50,000 thousand	None	Note 9
2002.5	NT\$10	19,800	198,000	18,800	188,000	Cash capital increase NT\$20,000 thousand	None	Note 10
2002.7	NT\$10	22,600	226,000	18,800	188,000	-	None	Note 11
2003.12	NT\$10	28,000	280,000	21,620	216,200	Capitalization of retained earnings NT\$28,200 thousand	None	Note 12
2004.8	NT\$10	39,000	390,000	25,281	252,810	Capitalization of retained earnings NT\$36,610 thousand	None	Note 13
2005.4	NT\$10	39,000	390,000	25,684.55	256,845.5	Conversion of warrants NT\$4,035.5 thousand	None	Note 14
2005.7	NT\$10	39,000	390,000	25,787.45	257,874.5	Conversion of warrants NT\$1,029 thousand	None	Note 15
2006.8	NT\$10	39,000	390,000	28,776.195	287,761.95	Capitalization of retained earnings NT\$29,887.45 thousand	None	Note 16
2006.5	NT\$10	39,000	390,000	29,450.495	294,504.95	Conversion of warrants NT\$6,743 thousand	None	Note 17
2006.7	NT\$10	39,000	390,000	29,693.795	296,937.95	Conversion of warrants NT\$2,433 thousand	None	Note 18
2006.9	NT\$10	39,000	390,000	33,085.845	330,858.45	Capitalization of retained earnings NT\$33,920.5 thousand	None	Note 19
2006.10	NT\$10	39,000	390,000	33,212.545	332,125.45	Conversion of warrants NT\$1,267 thousand	None	Note 20

Year Month	Issue price	Approved share capital		Paid in share capital		Remark		
		Number of shares (1,000 shares)	Amount (NT\$1,000)	Number of shares (1,000 shares)	Amount (NT\$1,000)	Source of capital	Using asset other than cash to substitute the share capital	Other
2007.4	NT\$10	39,000	390,000	33,815.045	338,150.45	Conversion of warrants NT\$6,025 thousand	None	Note 21
2007.7	NT\$10	39,000	390,000	33,873.595	338,735.95	Conversion of warrants NT\$585.5 thousand	None	Note 22
2007.9	NT\$10	50,000	500,000	37,703.455	377,034.55	Capitalization of retained earnings NT\$38,298.6 thousand	None	Note 23
2008.4	NT\$10	50,000	500,000	37,916.605	379,166.05	Conversion of warrants NT\$2,131.5 thousand	None	Note 24
2008.9	NT\$10	50,000	500,000	42,229.666	422,296.66	Capitalization of retained earnings NT\$43,130.61 thousand	None	Note 25
2009.4	NT\$10	50,000	500,000	42,482.066	424,820.66	Conversion of warrants NT\$2,524 thousand	None	Note 26
2009.8	NT\$10	50,000	500,000	44,870.821	448,708.21	Capitalization of retained earnings NT\$23,887.55 thousand	None	Note 27
2010.8	NT\$10	60,000	600,000	47,870.275	478,702.75	Capitalization of retained earnings NT\$29,994.54 thousand	None	Note 28
2011.8	NT\$10	70,000	700,000	55,401.446	554,014.46	Capitalization of retained earnings NT\$75,311.71 thousand	None	Note 29
2012.8	NT\$10	70,000	700,000	58,685.547	586,855.47	Capitalization of retained earnings NT\$32,841.01 thousand	None	Note 30

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 22: Approval No.: Jing-Shou-Zhong-Zi No. 09632503720, July 26, 2007
 Note 23: Approval No.: Jing-Shou-Zhong-Zi No. 09632693940,
 Note 24: Approval No.: Jing-Shou-Zhong-Zi No. September 3, 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 11, 2022

Shareholder structure Quantity	Government agency	Financial institutions	Other legal entities	Foreign institutions and foreigners	Individual	Total
Number of shareholders	0	0	167	75	27,649	27,891
Number of shares held	0	0	4,334,433	3,444,985	50,906,129	58,685,547
Shareholding ratio	0	0	7.39	5.87	86.74	100.00

(III) Equity dispersion

April 11, 2022

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	19,378	460,345	0.78
1,000 to 5,000	6,858	13,744,097	23.42
5,001 to 10,000	930	7,275,724	12.41
10,001 to 15,000	272	3,417,895	5.82
15,001 to 20,000	134	2,410,369	4.11
20,001 to 30,000	114	2,841,136	4.84
30,001 to 40,000	55	1,915,411	3.26
40,001 to 50,000	30	1,372,162	2.34
50,001 to 100,000	75	5,257,230	8.96
100,001 to 200,000	23	3,494,270	5.95
200,001 to 400,000	9	2,556,869	4.36
400,001 to 600,000	5	2,265,041	3.86
600,001 to 800,000	2	1,451,601	2.47
800,001 to 1,000,000	2	1,824,710	3.11
1,000,001 or more	4	8,398,687	14.31
Total	27,891	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 11, 2022

Main shareholder name	Shares	Number of shares held	Shareholding ratio
Yi-Tong Shen		3,126,244	5.33
Nankang Rubber Tire		2,150,829	3.67
Fang Shen		1,697,543	2.89
Special investment account of Rhoda Computer under custody by Taishin Bank		1,424,071	2.43
Ming- Xiao Lu		945,563	1.61
An Shen		879,147	1.50
Hui-Nan Lin		751,601	1.28
Shenyu Investment Co., Ltd		700,000	1.19
Guo-Xiang Tang		526,780	0.90
Yi-Guang Shen		480,053	0.82

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

Unit: NT\$; thousand shares

Item \ Year			2021	2020	As of March 31 of current year
Price per share	Highest		66.00	52.50	63.00
	Lowest		48.65	33.25	56.20
	Average		59.47	46.97	59.48
Net worth per share (Note 2)	Before distribution		36.23	27.34	38.24
	After distribution		32.53	22.83	34.54
EPS	Weighted average number of shares		58,685	58,685	58,685
	EPS		10.87	5.51	0.23 (Note 1)
Dividend per share	Cash dividend		3.7	4.5	0
	Stock dividend	Stock dividend from retained earnings	0	0	0
		Stock dividend from capital reserve	0	0	0
	Accumulated unpaid dividends		0	0	0
Return on investment analysis	P/E ratio (Note 3)		5.47	8.52	0
	Price-to-dividend ratio (Note 4)		16.07	10.44	0
	Cash dividend yield (%) (Note 5)		6.22	9.58	0

Note 1: Information as at March 31, 2022 has been reviewed by CPAs

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:

- (1) 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:

- A. To meet the needs of the company to expand its operation scale in the future
- B. Maintain the balance of earnings per share and profit level of the company
- C. 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.

- (2) The company has no earnings to distribute in the current year, or although there is a earnings, the earnings is much lower than the earnings distributed by the company in the previous year, or the company may distribute all or part of the

2. Dividend Distribution proposed at the shareholders' meeting

The 2021 earnings distribution plan was formulated by the board of directors on March 17, 2022. It is proposed to distribute a cash dividend of NT\$3.7 per share, totaling NT\$217,136,524, with an estimated distribution ratio of 34.02%. After the resolution of the shareholders' meeting on June 9, 2022 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 2021 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 2021 was decided by the board of directors on March 17, 2022 as follows:

 - A. A total of NT\$42,242,000 in cash remuneration was allocated to employees
 - B. A cash remuneration of NT\$7,312,000 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 2020 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	44,522,044	44,522,044	0	0
Directors' remuneration	8,922,998	8,922,998	0	0
Total	53,445,042	53,445,042	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. Corporate bonds: none.

III. Preferred shares: none.

IV. Overseas depository receipts: none.

V. Employee stock option certificates

The employee stock option certificates issued by the company have all expired and been executed in December 2010. In 2021 and up to the printing date of this year's annual report, there was no issuance of employee stock option certificates.

- (I) The company's outstanding employee stock option certificates, as of the printing date of the annual report, and their impact on shareholders' equity: 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. New shares with restricted employee rights:

In 2021 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 2021 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	2021	
	Operating revenue	Operating proportion (%)
Commercial notebook computer	1,860,691	66.27
Rugged notebook computer	768,811	27.38
Maintenance services and others - Commercial	178,203	6.35
Total	2,807,705	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.

⑤ Distribution of computer and its peripheral products

Under the situation that the global pandemic has not ended, the notebook market driven by the contactless economy continues to grow. On the other hand, the shortage of materials since the third quarter of 2020 has deferred the shipment of laptop orders that cannot be completed in 2020 until 2021, resulting in the continuous peak of laptop shipments. In addition, in terms of laptop processors, under the circumstances that Apple gradually carries its self-made chips in more laptop products and the educational laptop market lifts ARM architecture processors such as MediaTek, the market share of ARM architecture will grow significantly in 2021.

The COVID-19 has driven the continuous growth of the demand for laptop products. At the same time, it has also made the brand manufacturers of laptop products work hard in terms of hardware specifications. In addition to the continuous optimization of mainstream laptop products that emphasize performance and portability, it can be seen that the brand manufacturers have launched a large number of continuation and innovation concept for the appearance and shape of the laptop at CES 2021, among

which the new laptop products optimized and improved for the screen specifications have become a major focus of the exhibition.

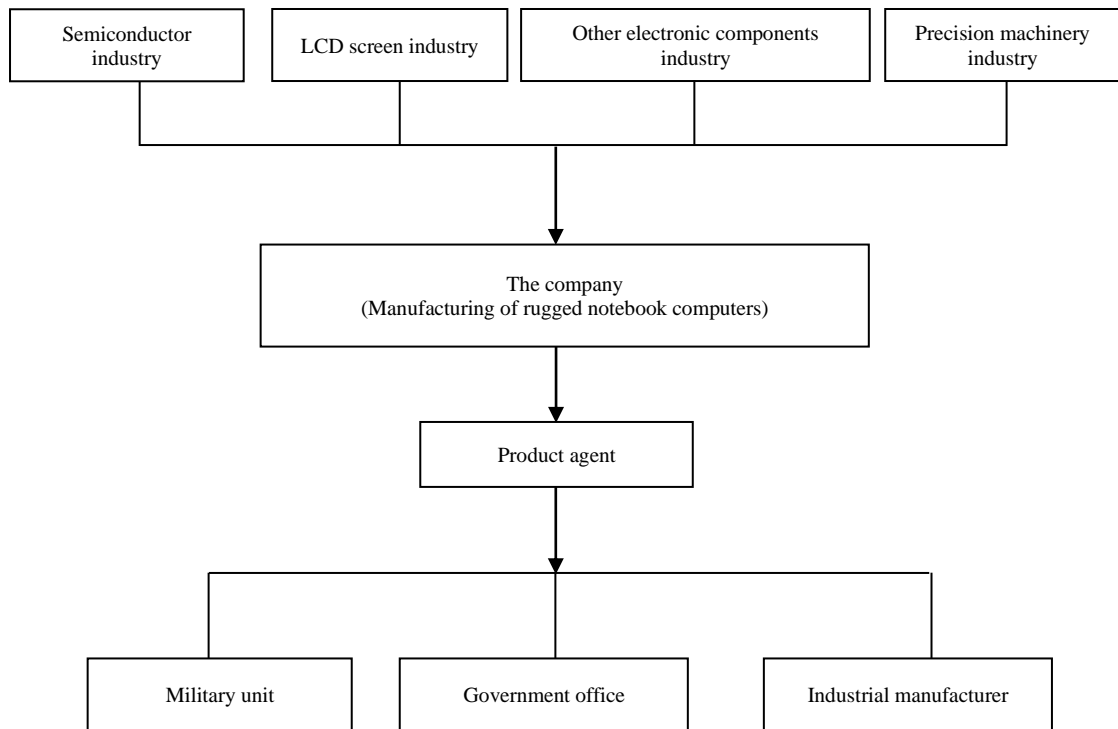
Benefiting from the brilliant sales performance of laptop products, many brand manufacturers have upgraded the screen specifications to meet the needs of long-time use such as work from home and distance learning. ASUS will strengthen the use effect of the dual screen and add the "raise" effect, so that the second screen can automatically raise the inclination of 7 to 9 degrees with the opening of the upper cover of the laptop, and extend the dual screen model from the previous design for the creator's laptop to the e-sports laptop. Lenovo also launched a dual screen laptop. Its feature is that the E Ink screen is built in the panel outside the laptop, and the exclusive interface of the external screen is improved, so that users can work directly on the external screen. In addition, the first foldable personal computer ThinkPad X1 Fold launched by Lenovo on CES 2020 will also be open to consumers in 2021.

In addition to the update of screen functions, with the increasingly narrow frame of laptop, many brand manufacturers plan to launch 16:10 aspect ratio laptop models. Compared with the screen aspect ratio of 16:9, 16:10 will have a downward extension effect in the visual effect, which can meet the needs of commercial and E-sports users who hope to expand the display area and achieve multi-processing. Therefore, it has become the direction of vigorous development of brand manufacturers in response to the pandemic, remote office and long-distance learning.

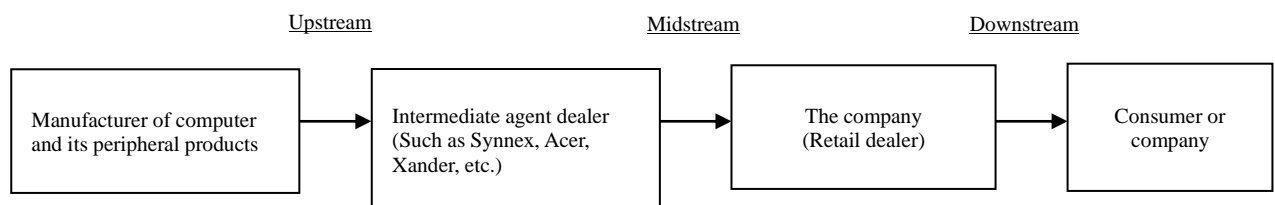
◆ Relevance of upstream, middle and downstream industries

⊙ 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 and automobile industry	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	Safety inspection of natural resources such as mining and forestry, GIS mapping and measurement, resource survey, and work planning and assignment. 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, 2021 / 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. Although general consumer tablet or notebook computers can meet some applications, the failure rate of rugged computers is about 60% lower than that of consumer product, with high reliability and durability, thus reducing the 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.

On the whole, the development trend of various industries drives the demand for rugged computers. For example, the digital transformation of various industries will increase the procurement of such equipment. Energy industries such as petrochemical, natural gas and mining or high-risk industries such as chemical industry, as well as industrial manufacturing industries turning to automation, will gradually adopt computer equipment to improve efficiency, reduce risk and predictive protection. Rugged computers are the best choice for the above industries, driving the slow growth of the demand for rugged computers.

◎ Distribution of computer and its peripheral products

The US Consumer Electronics Show 2022 ended a few days ago. Although affected by the global havoc of the mutant virus, many large manufacturers cancelled their physical attendance before the opening of the show, it did not affect the efforts of various laptop brand manufacturers to promote new products. It can even be seen that the laptop brand manufacturers injected the optimization of consumer experience and the implementation of the concept of environmental sustainability into the new laptop products, making the new laptop products of CES 2022 more innovative.

The COVID-19 has driven the continuous growth of the demand for laptop products. At the same time, it has also made the brand manufacturers of laptop products work hard in terms of hardware specifications. In addition to the continuous optimization of mainstream laptop products that emphasize performance and portability, it can be seen that the brand manufacturers have launched a large number of continuation and innovation concept for the appearance and shape of the laptop at CES 2021, among which the new laptop products optimized and improved for the screen specifications have become a major focus of the exhibition.

According to the TrendForce survey, the shipment of notebook computers in 2021 reached a record high of 246.1 million driven by the pandemic, but the market has been noisy recently. With the global complete vaccination population exceeding 50%, it is expected that the relevant demand driven by the pandemic will gradually

ease. The annual shipment of 2022 will be reduced by 3.3% to 237.9 million units. Among them, Chromebook accounts for about 12.3%; In 2021, it accounted for about 15.2%, and the momentum of shipment slowed down significantly, indicating that the demand derived from effect of stay-at-home economy such as work from home and remote learning declined.

TrendForce further noted that with the ending of Japanese government's education bidding case and the saturation of the US market, the shipment of Chromebook declined sharply by nearly 50% in the second half of 2021. However, benefiting from the return of European and US enterprises to the office one after another, driving the tide of commercial machine replacement, the shipment of commercial laptop rose rapidly to make up the gap, which made the shipment of laptop in the fourth quarter of 2021 the highest in the whole year, reaching 64.6 million units. In addition, as the shortage of mature process IC is still severe, the backlog of orders is deferred to the first quarter of 2022, which is expected to provide momentum in the off-season. Compared with the quarterly recession of an average of 15% in previous years, it is estimated to reduce to less than 10%.

◆ Competition

◎ Rugged notebook computer

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

◎ Distribution of 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: In Thousands of New Taiwan Dollars		
Item \ Year	2021	First quarter of 2022
R&D expenses	65,491	15,736
Net operating revenue	2,807,705	546,663
Proportion of R&D expenses in net operating revenue (%)	2.33	2.88

- ◆ 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 - 2021

Product	Features and functions
<p>RW14 (Workstation for military and industrial use)</p> 	<ol style="list-style-type: none"> 1. It adopts Intel Xeon processor, energy-saving design and high battery life 2. The 15.6" FHD LCD is adopted. The general brightness or high brightness can be selected according to the needs, and the brightness can be adjusted based on the needs of the operating environment 3. Optional nVidia high-performance independent graphics card 4. It can support ECC / non-ECC DDR4 memory with a maximum capacity of 64GB 5. High capacity storage space, supporting four SSDs and RAID 0,1,5,10 6. Comprehensive online capability, supporting Bluetooth, WiFi and GPS 7. Support USB3.1 Gen.2 and USB3.1 Gen. 2 1.5A fast charging port 8. Waterproof, dustproof, shockproof and fall proof characteristics, and the module can be operated at low temperature, with a minimum of -30°C 9. Military certified MIL-STD-810H and MIL-STD-461G
<p>RB14 (Workstation for military and industrial use)</p> 	<ol style="list-style-type: none"> 1. Intel® Xeon® E-2176M processor, energy-saving and power-saving design, with high battery life 2. 17.3" FHD high brightness LCD is adopted, and the brightness can be adjusted according to the needs of the operating environment 3. Optional nVidia high-performance independent graphics card 4. It can support ECC / non-ECC DDR4 memory with a maximum capacity of 64GB 5. High capacity storage space, supporting four SSDs and RAID 0,1,5,10 6. Comprehensive online capability, supporting Bluetooth, WiFi and GPS 7. Support USB3.1 Gen.2 and USB3.1 Gen. 2 1.5A fast charging port 8. Waterproof, dustproof, shockproof and fall proof characteristics, and the module can be operated at low temperature, with a minimum of -30°C 9. Military certified MIL-STD-810H and MIL-STD-461G

Product	Features and functions
<p>DK13 (Rugged tablets for military and industrial use)</p> 	<ol style="list-style-type: none"> 1. It adopts Intel Core i7 processor, energy-saving design and high battery life 2. The 12.1" LCD screen with readable technology in strong light can adjust the brightness according to the needs of the operating environment 3. Comprehensive online capability, supporting Bluetooth, WiFi and GPS 4. Support USB3.1 Gen.1 and USB3.1 Gen. 1 1.5A fast charging port 5. Docklite Connector provides the best expansion flexibility and customized applications 6. Structural design of magnesium alloy casing and patented cabin waterproof casing 7. Waterproof, dustproof, shockproof and fall proof, the module can be operated at low temperature, with a minimum of -30°C 8. Military certified MIL-STD-810H and MIL-STD-461G
<p>In response to the needs of customers in extremely low temperature environment, we are committed to developing the operational stability of various models in low temperature environment.</p>	

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

◆ Short term development plan

⊙ Marketing strategy:

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

⊙ R&D Strategy:

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

⊙ Production strategy:

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

⊙ Business strategy:

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

⊙ Financial strategy:

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

◆ Long term development plan

⊙ Marketing strategy:

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

⊙ R&D Strategy:

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

⊙ Production strategy:

- A. Improve the proportion of automatic production, continuously improve

efficiency, improve quality, reduce cost and defect rate.

B. Promote the satellite system, reduce material inventory and shorten order delivery time.

⊙ Business strategy:

A. Grasp the international pulse and industrial development trend, deeply cultivate Taiwan market, plan for the world road map, and establish a global operation headquarters.

B. Integrate the information systems between upstream suppliers and the company and between the company and downstream customers to enable closer integration and create dual win-win situations.

⊙ Financial strategy:

A. High standard and strict risk control to grasp all possible risks.

B. Sustained and steady financial operation, in line with the operation objectives and development plans, strengthen the operation structure, improve the overall competitiveness, create the best rate of return on shareholders' equity, and give our shareholders sustainable, stable and growing profits.

C. Improve specifications and create a high-quality image.

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

II. Market, production and sales overview

(I) Market analysis

◆ Sales area of main products:

Unit: NT\$1,000

Year		2021		2020	
Region		Amount	Proportion (%)	Amount	Proportion (%)
Export	Germany	383,951	13.67	485,522	16.32
	Sweden	112,526	4.01	224,869	7.56
	U.S.A	60,538	2.16	78,564	2.64
	Other regions	60,166	2.14	34,342	1.15
Domestic sales		2,190,524	78.02	2,152,529	72.33
Total		2,807,705	100.00	2,975,826	100.00

◆ Market share:

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

◆ Future supply and demand and growth of the market

⊙ Rugged computer

★ Supply and demand

A. Demand side

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

B. Supply side

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

★ Future growth

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

⊙ Distribution of computer and its peripheral products

★ Supply and demand

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

industry, and e-sports events are different from ordinary computer game software, there are winners and losers in the online game. In order to win the game, e-sports game players do not hesitate to spend money on hardware. In addition, the application of virtual reality devices is expanded, which has boosted the demand for e-sports notebook computers.

★ Future growth

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

◆ Competitive edge

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

◆ Favorable and unfavorable factors of development prospects

⊙ Favorable factors

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

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

★ Strong R&D team and professional management talents

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

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

★ Taiwan's overall information industry environment

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

◎ Adverse factors and countermeasures

★ Local manufacturer and Japanese giant brand Panasonic join the competition

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

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

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

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

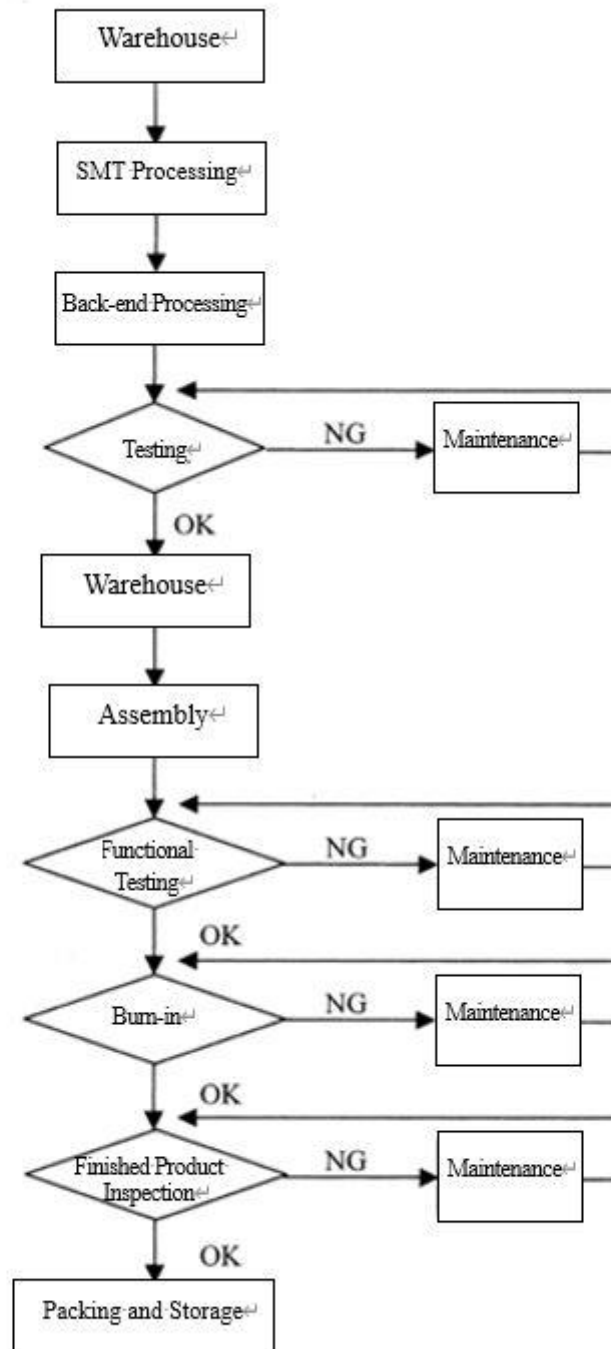
Countermeasures: make operation transparent and go listed to strengthen the company's image, introduce public funds, implement employee stock option and reward and dividend system, and effectively attract talents.

(II) Important uses and production process of main products

◆ Main product uses

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

◆ Production Process



(III) Supply of main raw materials

- ◆ The main raw materials of rugged notebook computers are liquid crystal display (LCD), hard disk (HDD), central processing unit (CPU), memory (RAM) and lithium battery. Among them, liquid crystal display accounts for the highest proportion of production cost, followed by central processing unit and hard disk.
- ◆ The distribution of commercial notebook computers and peripheral products is mainly to purchase and resell from well-known domestic manufacturers. At present, the purchasing sources of rugged notebook computers, computers and peripheral products are well-known agents at home and abroad, and have a stable cooperative relationship with the company. The supply is stable and sufficient, so the source of production raw materials should not be scarce.

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

◆ Supplier

Unit: NT\$1,000

Item	2021				2020				As of the first quarter of 2022			
	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	712,601	33.15	None	Company A	787,500	34.78	None	Company A	261,492	46.94	None
2	Company B	390,713	18.18	None	Company B	390,070	17.23	None	Company B	99,762	17.91	None
3					Company C	309,603	13.67	None				
4												
	Other	1,046,346	48.67		Other	777,238	34.32		Other	195,839	35.15	
	Net purchases	2,149,660	100.00		Net purchases	2,264,411	100.00		Net purchases	557,093	100.00	

◆ Customer of sales

Unit: In Thousands of New Taiwan Dollars

Item	2021				2020				As of the first quarter of 2022			
	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	376,504	13.41	Other substantial related parties	RODA	485,522	16.32	Other substantial related parties				
2												
	Other	2,431,201	86.59		Other	2,490,304	83.68		Other	546,663	100.00	
	Net sales	2,807,705	100.00		Net sales	2,975,826	100.00		Net sales	546,663	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: unit; NT\$1,000

Production volume and output value Main product (or department)	Year	2021			2020		
		Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Rugged notebook computer		6,525	5,290	407,245	6,525	7,471	499,117

(VI) Sales volume of the last two years

Unit: unit; NT\$1,000

Sales volume and sales value Main commodities (or department)	Year	2021				2020			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Notebook computer		74,998	1,979,285	3,913	617,181	74,925	1,940,357	6,215	835,622
Computer peripherals			211,239				199,847		
Total		74,998	2,190,524	3,913	617,181	74,925	2,140,204	6,215	835,622

Note:

- Export sales value includes notebook computers, computer peripherals, maintenance and other operating income.
- 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		2021	2020	As of March 31, 2022
Number of employees	Management	17	18	16
	R&D personnel	36	34	35
	Business personnel	154	177	149
	Production personnel	97	96	100
	Total	304	325	300
Average age		40.78	41.11	41.09
Average length of service		13.33	13.50	13.67
Education distribution ratio%	Doctor	0	0	0
	Master	2.63	2.46	2.33
	College	92.44	72.00	71.67
	High school	0	20.62	21.33
	Below high school	4.93	4.92	4.67

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 2021 and up to the printing date of the annual report.
2. The business of the company has not caused any pollution. The waste generated from production and activities is treated as follows:

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

(II) Future countermeasures and possible expenditures:

- ◆ Future countermeasures: in October 2005, the company passed the verification of ISO 14001 environmental management system of the Bureau of Standards, Metrology and Inspection, M.O.E.A., fully understood the importance of environmental protection, not only continued to advocate employees' awareness of environmental protection, but also implemented various measures related to environmental protection within the company (please refer to P.63 ~ 65 of this annual report).
- ◆ Possible expenses: at present, we focus on the implementation of various measures related

to environmental protection within the company, and it is expected that there will be no large amount of expenditure.

V. Labor relations

(I) Employee welfare measures

- ◆ The company regards respecting human nature and caring for employees as one of its business philosophy. In order to fully take care of the physical and mental health of colleagues or their dependents, and establish various guarantees for their lives, so that they can concentrate on their duties, work hard for the company without any worry, the company hereby provides or sponsors various relevant welfare plans, and the company's colleagues form a welfare committee, which is approved and put on record by the competent authority to be responsible for the planning and implementation of employee welfare matters. Its funding sources are (1) 0.5% of the monthly salary of employees (2) 0.1% of the monthly net operating revenue (3) 40% of sales of scraps. At present, the following employee welfare measures have been handled:
 - ⊙ Insurance: labor and health insurance
 - ⊙ Regular free employee health examination
 - ⊙ Birthday gift money, Labor Day gift money, gift money for Dragon Boat Festival / Mid Autumn Festival / Spring Festival , year-end party and lottery
 - ⊙ Various subsidies for employees' marriage, funeral, celebration, hospitalization and childbirth
 - ⊙ Employee travel subsidy
 - ⊙ Employee remuneration and sharing of business results
 - ⊙ Set up various types of club activities, such as yoga club and spinning bike club
 - ⊙ Separate nursery room and pumping room
 - ⊙ Other matters related to employee welfare.
- ◆ In order to pursue the sustainable growth of the enterprise and share the operating results of the enterprise with employees, the measures for employees to subscribe for shares and stock options are implemented, and the concept of "employees are shareholders" is implemented.

(II) Employee further education and training

- ◆ 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.

- (1) Internal training: the organizer will conduct or hire scholars or experts to the company to give classes or lectures, and provide e-learning or company policy advocacy.
- (2) 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

- ◆ The statistics and expenditure of staff further education and training in 2021 are as follows:

Course category	Participants of training	Hours
Human resources / legal affairs	36	18.5
Production process	231	38.5
Operation process	133	6.5
system operation	548	120.5
Other courses	12	6.5
Finance and taxation / internal control	34	57.5
Health management	174	2.0
Product technology	264	50.5
Labor safety	35	145.0
Business marketing	30	9.0
Inspection and certification	49	10.0
Environmental management	281	5.0
Total	1,827	469.5
The total expenditure is NT\$89,000		

- ◆ Achievement of training hour planning in 2021

The overall achievement rate in 2021 was 146.47%, an increase of 66.08% over 80.39% in 2020. In addition to professional functional training of various units, it was mainly due to the addition of relevant courses of PLM system of R&D Division and Smes system of Information Office.

(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 2021, the balance of the special pension account was NT\$56,763,000.
- ◆ 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 2021, the pension cost allocated by the new and old system was NT\$10,970,00, and four 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. The results of labor inspection in 2021 and violations of Labor Standards Act are as follows:

Date of issue	Labor inspection authority	Clause of the sanction	Amount of penalty
2021/10/4	Labor Affairs Department, New Taipei City Government	No sanction. It is suggested to amend the labor contract and reply for improvement	-

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 the personal information of employees and the proprietary information of customers or other interested parties. 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

Through the results of risk identification and risk assessment, the company's information security risk confirms the extent of the adverse impact of the information security risk on the

operation of the enterprise, and adopts the 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 permission to control the use of files.
 - (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. And regularly conduct information security audit to implement information security related control measures.

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) 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 2021 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)					Financial data of the current year as of March 31, 2022 (Note 3)
		2021	2020	2019	2018	2017	
Current assets		1,859,023	1,794,807	1,723,171	1,442,355	1,597,298	1,874,373
Property, plant and equipment		242,238	246,987	245,908	244,059	174,370	241,643
Intangible assets		7,765	4,114	4,647	2,799	1,479	9,675
Other assets		849,143	257,188	256,708	230,808	221,546	981,775
Total assets		2,958,169	2,303,096	2,230,434	1,920,021	1,994,693	3,107,466
Current liabilities	Before distribution	594,777	559,364	605,342	413,474	422,705	597,060
	After distribution (Note 2)	811,914	823,449	851,821	577,794	187,963	814,197
Non-current liabilities		223,202	121,143	115,695	96,308	112,249	250,157
Total liabilities	Before distribution	817,979	680,507	721,037	509,782	534,954	847,217
	After distribution (Note 2)	1,035,116	944,592	967,516	674,102	300,212	1,064,354
Equity attributable to owners of the parent		2,126,217	1,604,603	1,497,635	1,402,564	1,447,849	2,244,288
Share capital		586,855	586,855	586,855	586,855	586,855	586,855
Capital surplus		72,650	72,650	72,650	72,650	72,650	72,650
Retained earnings	Before distribution	1,361,658	990,039	890,405	778,540	831,016	1,374,874
	After distribution (Note 2)	1,144,521	725,954	643,926	614,220	596,274	1,157,737
Other Equity		105,054	(44,941)	(52,275)	(35,481)	(42,672)	209,909
Treasury stock		0	0	0	0	0	0
Non-controlling interests		13,973	17,986	11,762	7,675	11,890	15,961
Total equity	Before distribution	2,140,190	1,622,589	1,509,397	1,410,239	1,459,739	2,260,249
	After distribution (Note 2)	1,923,053	1,358,504	1,262,918	1,245,919	1,224,997	2,043,112

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

Note 2: The figures after distribution in 2021 are filled in according to the resolutions of the board of directors or the next annual shareholders' meeting

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

2. The parent only condensed balance sheet - IFRS

Unit: NT\$1,000

Item		Financial summary for the last five years (Note 1)				
		2021	2020	2019	2018	2017
Current assets		1,831,674	1,765,592	1,708,966	1,428,594	1,584,322
Property, plant and equipment		220,590	221,944	223,717	228,154	156,673
Intangible assets		7,765	4,114	4,535	2,407	806
Other assets		855,722	273,961	263,687	235,375	228,443
Total assets		2,915,751	2,265,611	2,200,905	1,894,530	1,970,244
Current liabilities	Before distribution	580,740	541,903	594,692	397,110	415,954
	After distribution (Note 2)	797,877	805,988	841,171	561,430	181,212
Non-current liabilities		208,794	119,105	108,578	94,856	106,441
Total liabilities	Before distribution	789,534	661,008	703,270	491,966	522,395
	After distribution (Note 2)	1,006,671	925,093	949,749	656,286	287,653
Equity attributable to owners of the parent		2,126,217	1,604,603	1,497,635	1,402,564	1,447,849
Share capital		586,855	586,855	586,855	586,855	586,855
Capital surplus		72,650	72,650	72,650	72,650	72,650
Retained earnings	Before distribution	1,361,658	990,039	890,405	778,540	831,016
	After distribution (Note 2)	1,144,521	728,954	643,926	614,220	596,274
Other Equity		105,054	(44,941)	(52,275)	(35,481)	(42,672)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	2,915,751	2,265,611	1,497,635	1,402,564	1,447,849
	After distribution (Note 2)	2,698,614	2,001,526	1,251,156	1,238,244	1,213,107

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

Note 2: The figures after distribution in 2021 are filled in according to the resolutions of the board of directors or the next annual shareholders' meeting.

1. Consolidated condensed statement of comprehensive income - IFRS

Unit: NT\$1,000

Item \ Year	Financial summary for the last five years (Note)					Financial data of the current year as of March 31, 2022 (Note)
	2021	2020	2019	2018	2017	
Operating revenue	2,807,705	2,975,826	2,822,222	2,420,390	2,548,355	546,663
Gross operating profit	615,605	681,312	639,670	492,952	646,681	72,997
Operating profit and loss	324,548	371,213	321,340	188,634	355,910	10,576
Non-operating income and expense	484,629	50,543	33,729	29,373	45,916	8,870
Net profit before tax	809,177	421,756	355,069	218,007	401,826	19,446
Net profit of continuing operations in the current period	644,375	329,496	278,483	177,898	328,094	15,204
Loss on discontinued business unit	0	0	0	0	0	0
Net profit (loss) for the current period	644,375	329,496	278,483	177,898	328,094	15,204
Other comprehensive profit or loss for the current period (net after tax)	149,995	30,175	(16,794)	7,344	(16,819)	104,855
Total amount of other current comprehensive gains and losses	794,370	359,671	261,689	185,242	311,275	120,059
Net profit attributable to owners of the parent company	638,192	323,272	278,214	182,113	331,204	13,216
Net profit attributable to non-controlling interests	6,183	6,224	269	(4,215)	(3,110)	1,988
Total comprehensive profit or loss attributable to owners of the parent company	788,187	353,447	261,420	189,457	314,385	118,071
Total comprehensive profit or loss attributable to non-controlling interests	6,183	6,224	269	(4,215)	(3,110)	1,988
EPS	10.87	5.51	4.74	3.10	5.64	0.23

Note: The financial information for each year and up to March 31, 2022 has been verified, certified or reviewed by the CPAs.

2. Parent only condensed consolidated income statement - IFRS

Unit: NT\$1,000

Item \ Year	Financial summary for the last five years (Note)				
	2021	2020	2019	2018	2017
Operating revenue	2,807,558	2,975,826	2,822,099	2,420,245	2,548,355
Gross operating profit	589,593	657,105	633,265	491,225	647,149
Operating profit and loss	303,456	352,775	319,491	192,051	360,937
Non-operating income and expense	491,821	58,511	35,309	30,171	43,999
Net profit before tax	795,277	411,286	354,800	222,222	404,936
Net profit of continuing operations in the current period	638,192	323,272	278,214	182,113	331,204
Loss on discontinued business unit	0	0	0	0	0
Net profit (loss) for the current period	638,192	323,272	278,214	182,113	331,204
Other comprehensive profit or loss for the current period (net after tax)	149,995	30,175	(16,794)	7,344	(16,819)
Total amount of other current comprehensive gains and losses	788,187	353,447	261,420	189,457	314,385
Net profit attributable to owners of the parent company	638,192	323,272	278,214	182,113	331,204
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive profit or loss attributable to owners of the parent company	788,187	353,447	261,420	189,457	314,385
Total comprehensive profit or loss attributable to non-controlling interests	0	0	0	0	0
EPS	10.87	5.51	4.74	3.10	5.64

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)
2017	KPMG	CPA Ci-Jie Tang, CPA Hui-Zhen Zhang	Unqualified opinion
2018	KPMG	CPA Ci-Jie Tang, CPA Wei-Ming Shi	Unqualified opinion
2019	KPMG	CPA Ci-Jie Tang, CPA Wei-Ming Shi	Unqualified opinion
2020	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion
2021	KPMG	CPA Wei-Ming Shi, CPA Mei-Yan Chen	Unqualified opinion

II.

(I) Consolidated financial analysis for the most recent five-year period - IFRS

Analysis items		Year	Financial analysis of the last five years (Note)					Current year as of March 31, 2022
			2021	2020	2019	2018	2017	
Financial structure	Ratio of liabilities to assets (%)		27.65	29.55	32.33	26.55	26.82	27.26
	Ratio of long-term capital to property, plant and equipment (%)		883.51	657.66	541.32	581.00	833.66	935.37
Debt service ability	Current ratio (%)		312.56	320.87	284.66	348.84	377.88	313.93
	Quick Ratio (%)		159.60	165.08	153.61	173.58	235.03	143.48
	Interest coverage ratio (%)		1,676.31	594.19	330.99	497.60	2,466.19	117.44
Operating capacity	Receivables turnover rate (times)		21.74	18.33	27.01	20.49	22.84	29.88
	Average cash received days		17	20	14	18	16	12
	Inventory turnover rate (times)		2.49	2.78	2.89	2.95	3.45	1.98
	Payable turnover rate (times)		15.49	12.83	11.48	11.89	11.85	17.48
	Average sales days		147	131	126	124	106	184
	Property, plant and equipment turnover rate (times)		11.59	12.05	10.10	9.80	14.49	9.05
	Total asset turnover rate (times)		0.95	1.29	1.27	1.25	1.27	0.70
Profitability	Return on assets (%)		24.51	14.56	13.46	9.11	17.27	2.02
	Return on equity (%)		34.25	21.04	19.08	12.40	23.60	2.76
	Percentage of net income before tax to paid-in capital (%)		137.88	71.87	60.50	37.15	68.47	3.31
	Net income ratio (%)		22.95	11.07	9.86	7.44	12.98	2.78
	Earnings per share (NT\$)		10.87	5.51	4.74	3.03	5.59	0.23
Cash flow	Cash flow ratio (%)		61.08	30.07	58.95	24.92	39.51	(14.52)
	Cash flow adequacy ratio (%)		69.80	80.79	88.39	80.97	133.99	53.41
	Cash reinvestment ratio (%)		5.98	(4.46)	12.23	(9.01)	(2.12)	(18.14)
Leverage	Operating leverage		1.93	1.81	1.90	1.10	1.76	7.31
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00
Reasons for changes in various financial ratios of more than 20% in the last two years (if the increase or decrease is less than 20%, analysis may be exempted)								
<ol style="list-style-type: none"> The increase in the ratio of long-term capital to property, plant and equipment is mainly due to the increase in shareholders' equity due to the increase in net income after tax in the current period compared with the same period last year 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 The increase in the turnover rate of payables is mainly due to the decrease in the average accounts payable in the current period compared with the same period last year The decrease in total asset turnover is mainly due to the increase in total assets in the current period compared with the same period last year The increase in the return on asset is mainly due to the increase in the net income after tax of the current period compared with the same period of the previous year The increase in the return on equity is mainly due to the increase in the net income after tax of the current period compared with the same period of the previous year The increase in the ratio of the net income before tax to the paid-in capital is mainly due to the increase in the net income before tax in the current period compared with the same period of the previous year The increase in the net profit margin is mainly due to the increase in the net income after tax of the current period compared with the same period of the previous year The increase in earnings per share was mainly due to the increase in net income after tax in the current period compared with the same period of the previous year 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 The increase in the cash reinvestment ratio is mainly due to the increase in the net cash flow from operating activities in the current period compared with the same period last year 								

Note: The financial information for each year and up to March 31, 2022 has been verified, certified or reviewed by the CPAs.

(II) Financial analysis of parent only reports in the last five years - IFRS

Analysis items \ Year		Financial analysis of the last five years (Note)				
		2021	2020	2019	2018	2017
Financial structure	Ratio of liabilities to assets (%)	27.08	29.18	31.95	25.97	26.23
	Ratio of long-term capital to property, plant and equipment (%)	963.88	722.98	669.43	617.50	830.70
Debt service ability	Current ratio (%)	315.40	325.81	287.37	359.75	404.03
	Quick Ratio (%)	153.78	162.72	153.16	178.56	262.88
	Interest coverage ratio (%)	2,617.04	1,232.40	768.97	0	0
Operating capacity	Receivables turnover rate (times)	21.74	18.33	27.02	20.49	27.46
	Average cash received days	17	20	14	18	13
	Inventory turnover rate (times)	2.46	2.77	2.89	2.96	2.95
	Payable turnover rate (times)	15.19	12.84	11.51	11.92	11.09
	Average sales days	149	132	126	123	124
	Property, plant and equipment turnover rate (times)	12.73	13.41	12.62	10.48	13.25
	Total asset turnover rate (times)	0.96	1.31	1.28	1.26	1.18
Profitability	Return on assets (%)	24.64	14.49	13.60	9.42	14.99
	Return on equity (%)	34.21	20.84	19.19	12.78	19.78
	Percentage of net income before tax to paid-in capital (%)	135.52	70.08	60.46	37.87	53.89
	Net income ratio (%)	22.73	10.86	9.86	7.61	12.19
	Earnings per share (NT\$)	10.87	5.51	4.74	3.10	4.42
Cash flow	Cash flow ratio (%)	57.10	24.28	56.63	26.54	119.59
	Cash flow adequacy ratio (%)	65.40	78.95	89.25	83.32	126.17
	Cash reinvestment ratio (%)	4.13	(6.65)	11.08	(8.92)	17.94
Leverage	Operating leverage	1.94	1.81	1.86	1.08	1.84
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Reasons for changes in various financial ratios of more than 20% in the last two years (if the increase or decrease is less than 20%, analysis may be exempted)						
The analysis of changes is the same as 1. consolidated financial analysis - IFRS						

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

The calculation formula for financial analysis is as follows

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

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

Mildef Crete Inc. Audit Committee Review Report

The board of directors prepared the company's 2021 annual business report, parent only and consolidated financial statements and earning distribution proposal. The parent only and consolidated financial statements were audited by CPA Wei-Ming Shi and CPA Mei-Yan Chen of KPMG, and an audit report was issued. The above-mentioned business report, parent only and consolidated financial statements and earning distribution proposal have not been found to be inconsistent after examination by the Audit Committee. Therefore, a report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your review.

Sincerely,

2022 ordinary meeting of shareholders of Mildef Crete Inc.

Independent director Jun-Ming Wang

Independent director Xiao-Long Feng

Independent director Yong- Cheng Chun

March 17, 2022

- IV. Latest annual financial report: please refer to pages 161 ~ 326 of the annual report.**
- V. The parent company only financial report audited and certified by the CPAs for the most recent year: please refer to pages 161 to 326 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: there is no such situation.**

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

I. Financial position

(I) Comparative analysis of financial position

Unit: In Thousands of New Taiwan Dollars

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	1,859,023	1,794,807	64,216	3.58
Long-term investments	-	137,357	(137,357)	(100.00)
Fixed assets	242,238	246,987	(4,749)	(1.92)
Intangible assets	7,765	4,114	3,651	88.75
Other assets	849,143	119,831	729,312	608.62
Total assets	2,958,169	2,303,096	655,073	28.44
Current liabilities	594,777	559,364	35,413	6.33
Long-term liabilities	-	1,751	(1,751)	(100.00)
Other liabilities	223,202	119,392	103,810	86.95
Total liabilities	817,979	680,507	137,472	20.20
Share capital	586,855	586,855	-	-
Capital surplus	72,650	72,650	-	-
Retained earnings	1,361,658	990,039	371,619	37.54
Other Equity	105,054	(44,941)	149,995	-333.76
Total shareholders' equity	2,140,190	1,622,589	517,601	31.90
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):				
1. The decrease in long-term investments is due to the company's loss of control over the long-term investments due to the disposal of part of the equity in the current period. Therefore, it is transferred from the long-term investment account to other assets - financial assets at fair value through other comprehensive income - non-current items				
2. Increase in other assets same as 1				
3. The increase in total assets is mainly due to the increase in financial assets at fair value through other comprehensive income in the current period - non-current compared with the same period last year				
4. The increase in other liabilities is mainly due to the increase in deferred income tax liabilities in the current period compared with the same period last year				
5. The increase in total liabilities is mainly due to the increase in deferred income tax liabilities in the current period compared with the same period last year				
6. The increase in retained earnings is mainly due to the increase in the net income after tax of the current period compared with the same period of the previous year				
7. The increase in other equity is mainly due to the increase in the amount of non-current valuation of financial assets at fair value through other comprehensive income - compared with the same period of last year				
8. The increase in total shareholders' equity was mainly due to the increase in retained earnings and other equity in the current period compared with the same period 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	2021	2020	Increase or decrease amount	Percentage change (%)
Net operating revenue	2,807,705	2,975,826	(168,121)	(5.65)
Operating cost	2,192,100	2,294,514	(102,414)	(4.46)
Gross operating profit	615,605	681,312	(65,707)	(9.64)
Gross profit realized (unrealized) from sales of goods among affiliated companies	-	1,636	(1,636)	(100.00)
Realized gross operating profit	620,093	682,948	(62,855)	(9.20)
Operating expenses	295,545	311,735	(16,190)	(5.19)
Operation interests	324,548	371,213	(46,665)	(12.57)
Non-operating income and expense	484,629	50,543	434,086	858.84
Net profit before tax from continuing operations	809,177	421,756	387,421	91.86
Income tax expense (gain)	164,802	92,260	72,542	78.63
Net profit after tax from continuing operations	644,375	329,496	314,879	95.56

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

1. The decrease in the realized (unrealized) gross profit from sales of goods among affiliated companies is due to the decrease in the realized (unrealized) gross profit from sales of goods among affiliated companies as a result of the loss of control of the company due to the disposal of part of the equity of long-term investment in the current period.
2. The increase in non-operating income and expenses was mainly due to the disposal of part of the equity of long-term investments in the current period and the disposal gain was recognized based on their market value.
3. The increase in the net profit before tax of the continuing operations was mainly due to the increase in non-operating income in the current period compared with the same period of the previous year.
4. The increase in income tax expense was due to the increase in the net profit before tax of the continuing operations in the current period compared with the same period last year.
5. The increase in the net profit after tax of the continuing operations was mainly due to the increase in the net profit before tax of the continuing operations in the current period compared with the same period last year.

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

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

III. Cash flow

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

Year Item	2021	2020	Percentage increase (decrease) %
Cash flow ratio	61.08	30.07	103.13
Fund flow adequacy ratio	69.80	80.79	(13.60)
Cash reinvestment ratio	5.98	(4.46)	(234.08)
Analysis explanation of increase or decrease in the proportion of change of more than 20%			
This is due to the increase in net cash inflow from operating activities in the year ended December 31, 2021.			

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

(III) Analysis of cash liquidity in the next year

Unit: In Thousands of New

Taiwan Dollars

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
500,086	100,000	200,000	400,086	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. Impact of major 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 2021 was approximately NT\$13,343 thousand, which was mainly used for the purchase of additional machinery and equipment; the sources of funds were own funds.

(II) Expected benefits:

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

V. Reinvestment in recent years

(I) Reinvestment policy

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

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

Analysis of gain or loss on reinvestment

Unit: NT\$1,000

Item \ Year	2021		
	Shareholding ratio (%)	Gain (loss) of invested company in the current period	Recognized gain (loss) on investment in the current period
Invested company			
Mildef Group AB (Note 1)	-	-	(24,862)
Flexbasis Technology (Note 2)	65.30	27,372	7,062

Note 1: The company has stopped using the equity method for the invested company since June 2021.

Note 2: 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. Risk management: 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: In Thousands of New Taiwan Dollars

Analysis items	2021			As of March 31, 2022		
	Interest income	Interest expense	Gain (loss) on exchange Net amount	Interest income	Interest expense	Net gain (loss) on exchange
Interest income/interest expense/net exchange gains	8,247	483	(5,719)	2,225	167	6,045
Percentage of net operating revenue (%)	0.29	0.02	(0.20)	0.41	0.03	1.11
Percentage of operating profit (%)	2.54	0.15	(1.76)	21.04	1.58	57.15
Percentage of net income before tax	1.02	0.06	(0.71)	11.44	0.86	31.08

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 is mainly operated with its own 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, except for short-term fixed income bonds, which are mainly invested in highly liquid bonds and time deposits with banks to protect the investment capital and mitigate risks, which are not significantly affected by changes in interest rates; and early payment of manufacturers' goods to obtain 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, the original currency received from export sales shall be appropriately retained in addition to being handled in accordance with the regulations, so as to reduce the exchange risk.①

⊙ Inflation

- ★ The company's main export markets are Europe and North America. The company does not believe that inflation in the Republic of China, Europe and North America has a significant impact on the company's operating results in 2021. However, the company cannot guarantee that future inflation will not have a material adverse impact on the company's operating results.
- ★ The company will continue to focus on various cost reduction measures, which is a

consistent policy and will not be changed due to the external environment of inflation or deflation.

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

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

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

◆ Specific response measures of the company



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


⊙ Capital management -

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

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

◆ Future R&D plan:

Product	Functions and characteristics
<p>DF10</p> <p>(Handheld computer for military and industrial use)</p> 	<ol style="list-style-type: none"> 1. It adopts ARM processor, energy saving and power saving design, and has high battery life 2. Android 10 operating system 3. 5.7" LCD touch screen with readable technology in strong light 4. 3GB LPDDR4 RAM/ 128GB eMMC, Micro SD memory card is also supported . 5. Comprehensive online capability, supporting BT, WLAN and GPS 6. Dual lens design, front lens 5 million pixels, rear lens 13 million pixels 7. Long-lasting lithium-ion battery has the characteristics of long-lasting power and convenient disassembly 8. Military certified MIL-STD-810H, MIL-STD-461G and IP67. 9. Integrate customer needs and provide flexible customized services
<p>DH8</p> <p>(Handheld computer for military and industrial use)</p> 	<ol style="list-style-type: none"> 1. Intel Atom ® Processor, energy saving design, with high battery life 2. Windows 10 operating system 3. 5.7" LCD touch screen with readable technology in strong light 4. Support DDR4 memory and M.2 SATAIII SSD. 5. Comprehensive online capability, supporting BT, WLAN and GPS 6. Long-lasting lithium-ion battery with the characteristics of long-lasting power and convenient disassembly 7. It adopts the industrial standard connector to provide reliable data transmission function, which can be used in various extreme weather environments 8. Military certified MIL-STD-810H, MIL-STD-461G and IP67. 9. Integrate customer needs and provide flexible customized services

<p>RK15 (Computer for military and industrial use)</p> 	<ol style="list-style-type: none"> 1. Intel Xeon® W-11865mle processor, energy saving design, with high battery life 2. 15 "LCD is adopted, and the brightness can be adjusted according to the needs of the operating environment 3. It can support ECC/non ECC DDR4 memory with a maximum capacity of 64GB 4. High capacity storage space, can support two groups of M.2 PCIe 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 proof characteristics, and the module can be operated at low temperature, with a minimum of -30°C. 11. Military certified MIL-STD-810H and MIL-STD-461G
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- ◆ 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 of plant expansion: the company has no plan 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, risk control and management is divided into three levels (mechanism): the organizer or the undertaker is the first mechanism, and is responsible for the consideration, design and prevention of the initial risk detection, evaluation and control of the operation. 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 set up a chief risk officer, whose purpose is to comprehensively control and manage the risk of all employees, and adopt the prevention layer

by layer rather than the control and management by one person, so as to implement various risk control and management. 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. 1. 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	

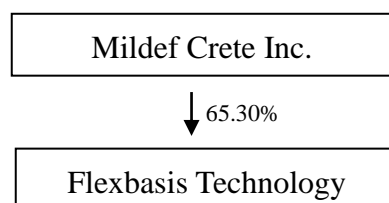
VII. Other important matters: None.

Chapter 8 Special records

I. Data of related enterprises

Overview of affiliated enterprises: as of December 31, 2021

(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	Jia-Hong Lu	100,000	2.70
	Director	Mildef Crete Inc.	2,416,000	65.30
		Representative: Yi-Tong Shen	0	0
	Director	Wei Liang	296,000	8.00
	Supervisor	Quan-Xiong Li	233,000	6.30

(V) Operational overview of affiliated companies:

December 31, 2021 / NT\$1,000

Enterprise name	Total assets	Total liabilities	Total equity	Operating revenue	Current net profit
Flexbasis Technology	90,991	18,026	72,965	74,231	27,372

(VI) Business report and consolidated financial statements of related enterprises: please refer to page 112 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. For 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. Shares of the company held or disposed by subsidiaries in the most recent year and up to the printing date of the annual report: 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 supplementary instructions

(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%	
0.5 year ~ 9 months			60%
9 months ~ 1 year			80%
More than 1 year			100%
EOL procurement		No provision within 3 years, and an increase of 20% per year for more than 3 years	

(III) Property, plant and equipment

1. Recognition and measurement

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

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

2. Subsequent cost

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

3. Depreciation

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

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

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

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

(IV) The company does not adopt hedge accounting.

(V) Uncompleted TPEX-listing commitments: none.

Accountants' Audit Report

To the Board of Directors of Mildef Crete Inc.

Opinion

We have audited consolidated balance sheets of Mildef Crete Inc. as of December 31, 2021 and 2020, as well as statements of comprehensive income, changes in equity and cash flows for the periods from January 1 to December 31, 2021 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned consolidated financial statements have been prepared in all material aspects according to the the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission. They fairly present financial position of Mildef Crete Inc. as of December 31, 2021 and 2020, its financial performance and cash flow for the periods from January 1 to December 31, 2021 and 2020.

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 2021. 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, lifecycle 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 provision for obsolete and slow-moving inventories by the management.

Other matters

Mildef Crete Inc. has prepared standalone financial statements for 2021 and 2020, 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 abilities of Mildef Crete Inc. and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Mildef Crete Inc. and its subsidiaries or to cease their operations, or has no realistic alternative but to do so.

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. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain responsible for our audit opinion.

We communicate with 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

2021. 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

Accountant:

Wei-Ming Shi, Mei-Yan Chen

Competent Securities Authority's
Approval Document No.
March 17, 2022

Jin Guan Zheng Liu Zi No.0950103298
(88) Tai Cai Zheng (Liu) No.18311

Mildef Crete Inc. and Its Subsidiaries
Consolidated balance sheets
For Years 2021 and 2020 Ended on December 31, 2020

Unit: In Thousands of New Taiwan Dollars

		110.12.31		109.12.31				110.12.31		109.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6 (1))	\$ 500,086	17	355,143	15	2130	Contract liabilities - current (Notes 6 (16) and 7)	\$ 263,911	9	222,333	10
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	120,065	4	120,035	5	2150	Notes payable	24,588	1	46,930	2
1150	Net amount of notes and accounts receivable (Note 6 (3) (16))	65,356	2	23,353	1	2170	Accounts payable	106,155	3	100,840	4
1180	Net amount of accounts receivable - related parties (Note 6 (3) (16) and (7))	6,376	-	163,116	7	2209	Payables (Note 6 (17))	116,163	4	114,764	5
130X	Inventories (Note 6 (4))	901,160	31	861,968	38	2220	Other payables-related party (Note 7)	-	-	900	-
1476	Other financial assets - current (Note 6 (1))	246,020	8	255,020	11	2230	Current income tax liabilities	58,919	2	50,918	2
1479	Other current assets	19,960	1	16,172	1	2280	Lease liabilities-current (Note 6 (10))	22,898	1	20,216	1
	Total current assets	1,859,023	63	1,794,807	78	2399	Other current liabilities	392	-	362	-
Non-current assets:						2322	Long-term loans due within one year (Notes 6 (9) and 8)	1,751	-	2,101	-
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))	724,022	25	23,431	1		Total	594,777	20	559,364	24
1550	Investments accounted for using the equity method (Note 6 (5))	-	-	137,357	6	Non-current liabilities:					
1600	Property, plant and equipment (Notes 6 (6) and 8)	242,238	8	246,987	11	2540	Long-term loans (Notes 6 (9) and 8)	-	-	1,751	-
1755	Right-of-use assets (Note 6 (7))	51,511	2	24,508	1	2552	Provisions for warranty liabilities (Note 6 (11))	4,535	-	7,796	-
1780	Intangible assets (Note 6 (8))	7,765	-	4,114	-	2570	Deferred income tax liabilities (Note 6 (13))	137,055	5	49,271	2
1840	Deferred income tax assets (Note 6 (13))	68,010	2	66,487	3	2580	Lease liabilities-non-current (Note 6 (10))	28,629	1	4,506	-
1990	Other non-current assets (Note 8)	5,600	-	5,405	-	2640	Net defined benefit liabilities-non-current (Note 6 (12))	52,983	2	57,819	3
	Total non-current assets	1,099,146	37	508,289	22		Total non-current liabilities	223,202	8	121,143	5
							Total	817,979	28	680,507	29
						Equity attributed to owners of the parent company (Note 6 (14)):					
						3110	Ordinary share capital	586,855	20	586,855	25
						3200	Capital surplus	72,650	2	72,650	3
						3300	Retained earnings	1,361,658	46	990,039	43
						3400	Other equity	105,054	4	(44,941)	(1)
							Equity attributed to owners of the parent company	2,126,217	72	1,604,603	70
							Non-controlling interests	13,973	-	17,986	1
							Total equity	2,140,190	72	1,622,589	71
Total		\$ 2,958,169	100	2,303,096	100		Total liabilities and equity	\$ 2,958,169	100	2,303,096	100

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

Chairman: Shen-Yi Tung

Manager: Shen-Yi Tung

Accounting Manager: Liu-Yaping

Mildef Crete Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (16), 7 and 14)	\$ 2,807,705	100	2,975,826	100
5000	Operating costs (Notes 6 (3) (4) (6) (7) (8) (10) (12) (17), 7 and 12)	<u>2,192,100</u>	<u>78</u>	<u>2,294,514</u>	<u>77</u>
	Gross operating profit	615,605	22	681,312	23
5910	Minus: Realized gain from sales	<u>(4,488)</u>	<u>-</u>	<u>(1,636)</u>	<u>-</u>
	Realized gross operating profit	<u>620,093</u>	<u>22</u>	<u>682,948</u>	<u>23</u>
	Operating expenses (Notes 6 (6) (7) (8) (10) (12) (17), 7 and 12)				
6100	Selling and marketing expenses	182,778	6	190,601	7
6200	General and administrative expenses	47,276	2	48,910	2
6300	Research and development expenses	<u>65,491</u>	<u>2</u>	<u>72,224</u>	<u>2</u>
	Total operating expenses	<u>295,545</u>	<u>10</u>	<u>311,735</u>	<u>11</u>
	Net operating profit	<u>324,548</u>	<u>12</u>	<u>371,213</u>	<u>12</u>
	Non-operating income and expenses:				
7100	Interest income (Note 6 (18))	8,247	-	8,169	-
7010	Other income (Note 6 (18))	10,491	-	10,816	-
7020	Other gains and losses (Note 6 (18) and (19))	(5,371)	-	(9,858)	-
7060	Share of the profit (loss) of associates accounted for using the equity method (Note 6 (5))	(24,862)	(1)	42,127	2
7225	Gains on disposal of investments (Note 6 (5))	496,607	18	-	-
7510	Finance costs (Note 6 (10) and (18))	<u>(483)</u>	<u>-</u>	<u>(711)</u>	<u>-</u>
	Total non-operating income and expenses	<u>484,629</u>	<u>17</u>	<u>50,543</u>	<u>2</u>
	Net profit before tax	809,177	29	421,756	14
7951	Minus: income tax expense (Note 6 (13))	<u>164,802</u>	<u>6</u>	<u>92,260</u>	<u>3</u>
	Current net profit	<u>644,375</u>	<u>23</u>	<u>329,496</u>	<u>11</u>
8300	Other comprehensive income/(loss):				
8310	Items not reclassified as income and loss				
8311	Remeasurement of defined benefit plans (Note 6 (12))	1,688	-	(5,334)	-
8316	Unrealized gain on investments in equity instruments as at fair value through other comprehensive income (Note 6 (19))	166,995	6	25,838	1
8349	Minus: Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6 (13))	<u>33,486</u>	<u>1</u>	<u>(1,066)</u>	<u>-</u>
	Total amount of items not reclassified to profit or loss	<u>135,197</u>	<u>5</u>	<u>21,570</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss				
8370	Share of the other comprehensive income (loss) of associates accounted for using the equity method	14,798	-	8,605	-
8399	Minus: Income tax relating to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total amount of items that may be reclassified subsequently to profit or loss	<u>14,798</u>	<u>-</u>	<u>8,605</u>	<u>-</u>
8300	Other comprehensive income/(loss)	<u>149,995</u>	<u>5</u>	<u>30,175</u>	<u>1</u>
	Total amount of other current comprehensive gains and losses	<u>\$ 794,370</u>	<u>28</u>	<u>359,671</u>	<u>12</u>
	Net profit/(loss) attributable to				
8610	Owners of the Parent Company	\$ 638,192	23	323,272	11
8620	Non-controlling interests	<u>6,183</u>	<u>-</u>	<u>6,224</u>	<u>-</u>
		<u>\$ 644,375</u>	<u>23</u>	<u>329,496</u>	<u>11</u>
	Total comprehensive income/(loss) attributable to:				
8710	Owners of the Parent Company	\$ 788,187	28	353,447	12
8720	Non-controlling interests	<u>6,183</u>	<u>-</u>	<u>6,224</u>	<u>-</u>
		<u>\$ 794,370</u>	<u>28</u>	<u>359,671</u>	<u>12</u>
	Earnings per share (NT\$: Note 6 (15))				
	Basic earnings per share	<u>\$ 10.87</u>		<u>5.51</u>	
	Diluted earnings per share	<u>\$ 10.72</u>		<u>5.40</u>	

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

Chairman: Shen-Yi Tung

Manager: Shen-Yi Tung

Accounting Manager: Liu-Yaping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of changes in equity
From January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to owners of the parent						Other Equity Items						
	Ordinary share capital	Capital surplus	Legal reserve	Retained earnings		Total	Other comprehensive income/(loss) of associates accounted for using the equity method Share of total profit	Unrealized gains (losses) of financial assets measured at fair value through other comprehensive income/(loss)	Defined benefits Planned remeasureme nt	Total	Total equity attributed to owners of the parent company	Non- controlling interests	Total equity
				Special reserve	Unappropriat ed earnings								
Balance on January 1, 2020	\$ 586,855	72,650	393,749	35,482	461,174	890,405	(23,403)	(12,780)	(16,092)	(52,275)	1,497,635	11,762	1,509,397
Current net profit	-	-	-	-	323,272	323,272	-	-	-	-	323,272	6,224	329,496
Other comprehensive income/(loss)	-	-	-	-	-	-	8,605	25,838	(4,268)	30,175	30,175	-	30,175
Total amount of other current comprehensive gains and losses	-	-	-	-	323,272	323,272	8,605	25,838	(4,268)	30,175	353,447	6,224	359,671
Appropriation and distribution of earnings:													
Legal reserve	-	-	27,821	-	(27,821)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	16,795	(16,795)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(246,479)	(246,479)	-	-	-	-	(246,479)	-	(246,479)
Disposal of equity instruments designated at fair value through other comprehensive income/(loss)	-	-	-	-	22,841	22,841	-	(22,841)	-	(22,841)	-	-	-
Balance on December 31, 2020	586,855	72,650	421,570	52,277	516,192	990,039	(14,798)	(9,783)	(20,360)	(44,941)	1,604,603	17,986	1,622,589
Current net profit	-	-	-	-	638,192	638,192	-	-	-	-	638,192	6,183	644,375
Other comprehensive income/(loss)	-	-	-	-	-	-	14,798	133,847	1,350	149,995	149,995	-	149,995
Total amount of other current comprehensive gains and losses	-	-	-	-	638,192	638,192	14,798	133,847	1,350	149,995	788,187	6,183	794,370
Appropriation and distribution of earnings:													
Legal reserve	-	-	34,611	-	(34,611)	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(7,335)	7,335	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(264,085)	(264,085)	-	-	-	-	(264,085)	-	(264,085)
Changes in capital surplus from investments in associates accounted for using the equity method	-	37,626	-	-	-	-	-	-	-	-	37,626	-	37,626
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,827)	(5,827)
Investments in associates accounted for using the equity method	-	(37,626)	-	-	-	-	-	-	-	-	(37,626)	-	(37,626)
Differences between equity price paid and carrying amount of subsidiaries acquired	-	-	-	-	(2,488)	(2,488)	-	-	-	-	(2,488)	2,488	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,857)	(6,857)
Balance on December 31, 2021	\$ 586,855	72,650	456,181	44,942	860,535	1,361,658	-	124,064	(19,010)	105,054	2,126,217	13,973	2,140,190

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

Chairman: Shen-Yi Tung

Manager: Shen-Yi Tung

Accounting Manager: Liu-Yaping

Mildef Crete Inc. and Its Subsidiaries
Consolidated statements of cash flows
From January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	2021	2020
Cash flows from operating activities:		
Net income before tax	\$ 809,177	421,756
Adjustments for:		
Profit and loss		
Depreciation expense	47,984	47,410
Amortization expense	4,653	2,842
Expected credit loss	-	723
Net gain on financial assets at fair value through profit or loss	(357)	(665)
Interest expense	483	711
Interest income	(8,247)	(8,169)
Dividend income	(8,844)	(9,603)
Share of associates' profit/(loss) accounted for by equity method	24,862	(42,127)
Gain on disposal of property, plant and equipment	-	(175)
Returns on Investments accounted for using the equity method	(496,607)	-
Realized gain on sales of goods	(4,488)	(1,636)
Total profit/(loss)	(440,561)	(10,689)
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	(42,003)	(3,471)
Accounts receivable from related parties	156,740	(45,460)
Inventories	(39,192)	(71,410)
Other current assets	(3,788)	1,080
Total net changes in assets related to operating activities	71,757	(119,261)
Net changes in liabilities related to operating activities		
Contract liabilities	41,578	(9,765)
Notes payable	(22,342)	(6,255)
Accounts payable (including related parties)	5,315	(52,360)
Other payable by related parties	(900)	418
Provisions for warranty liabilities	(3,261)	1,200
Accrued expenses and other current liabilities	1,429	14,681
Net defined benefit liabilities	(3,148)	(2,683)
Total amount of net changes in liabilities related to operating activities	18,671	(54,764)
Total amount of net changes in assets and liabilities related to operating activities	90,428	(174,025)
Total adjustments	(350,133)	(184,714)
Net cash generated from/(used in) operations	459,044	237,042
Interest received	8,247	8,169
Income tax paid	(104,026)	(77,022)
Net cash inflow from operating activities	363,265	168,189
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	-	67,136
Purchase of financial assets at fair value through profit or loss	(330,000)	(260,000)
Disposal of financial assets at fair value through profit or loss	330,327	269,870
Disposal of investments accounted for using the equity method	77,185	-
Acquisition of property, plant and equipment	(13,343)	(19,055)
Disposal of property, plant and equipment	-	295
Increase in other non-current assets	(195)	(8)
Acquisition of intangible assets	(8,304)	(2,309)
Decrease in other financial assets	9,000	-
Dividends received	26,451	18,476
Net cash inflow from investing activities	91,121	74,405
Cash flows from financing activities:		
Repayments of long-term loans	(2,101)	(3,553)
Payment of the principal portion of lease liabilities	(30,090)	(29,548)
Payments of cash dividends	(264,085)	(246,479)
Dividends paid to non-controlling interests	(5,827)	-
Non-controlling interests gained from subsidiaries	(6,857)	-
Interests paid	(483)	(711)
Net cash outflow of financing activities	(309,443)	(280,291)
Increase (decrease) in cash and cash equivalents	144,943	(37,697)
Opening balance of cash and cash equivalents in the consolidated statements of cash flows	355,143	392,840
Closing balance of cash and cash equivalents in the consolidated statements of cash flows	\$ 500,086	355,143

Mildef Crete Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
2021 and 2020

(Unless otherwise stated, all amounts are expressed in NTD thousand)

I. Company History

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

II. Date and Procedures for the Approval of Financial Statements

The consolidated financial statements was issued by the Board of Directors on March 17, 2012.

III. Applicability of Newly Issued and Revised Standards and Interpretations

- (I) The effect of adopting the newly issued and revised standards and interpretations endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC"). The Consolidated Company adopted the following newly revised International Financial Reporting Standards (IFRS) effective from January 1, 2021, with no material impact on the consolidated financial statements.

- Amendment to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Change of Interest Rate Indicator - Phase 2"

The following newly amended International Financial Reporting Standards (IFRS) were applied by the Consolidated Company as of April 1, 2021, and did not have a significant impact on the consolidated financial statements.

- Amendment to IFRS 16 "Covid-19-Related Rent Concessions after June 30, 2021"

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

The assessment of the Consolidated Company applying the following newly amended International Financial Reporting Standards(IFRS), effective January 1, 2011, will not have a material effect on the consolidated financial statements.

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(III) Newly issued and revised standards and interpretations not yet endorsed by the FSC

Standards and interpretations issued and amended by the International Accounting Standards Board(IASB) but not yet endorsed by the FSC, for the possible shareholders of the Consolidated Company are as follows:

Newly issued or revised standards	Major revisions	Effective date of issuance by the IASB
Amendment to IAS 1 "Classification of liabilities as current or non-current"	<p>The amendments to the provisions are intended to enhance consistency in the application of the standard to assist an enterprise in determining whether a debt or other liability on an uncertain settlement date should be classified as current (due or likely to be due within one year) or non-current in the balance sheet.</p> <p>The amendments to the provisions also clarify the classification of debt that an enterprise may settle by converting to equity.</p>	January 1, 2023

The consolidated company is continuously assessing the effects on its financial position and financial performance of the amendments to the standards and interpretations. Any relevant effect shall be disclosed when the assessment is completed.

The Consolidated Company expects that the following other unrecognized new and amended standards will not have a material effect on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Investment of Assets between Investors and Their Associates or Joint Ventures"
- IFRS 17 "Insurance Contracts" and amendment to IFRS 17
- Amendment to IAS 1 "Disclosure of Accounting Policies"
- Amendment to IAS 8 "Definitions of Accounting Estimates"
- Amendment to IAS 12 "Deferred Income Tax Related to Assets and Liabilities Arising from a Single Transaction"

IV. Summarized Remarks on Significant Accounting Policies

The summary of significant accounting policies used in the consolidated financial statements is described below. The following accounting policies have been consistently applied to all periods of presentation of the consolidated financial statements.

(I) Statement of Compliance

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

approved and recognized by the FSC.

(II) Basis of Preparation

1. Basis of Measurement

Except for the following material items of the balance sheet, the consolidated financial statements are prepared based on historical costs:

- (1) Financial assets at fair value through profit or loss at fair value;
- (2) Financial assets at fair value through other comprehensive profit or loss at fair value; and
- (3) Net defined benefit liabilities are measured at the present value of the defined benefit obligation less the fair value of the retirement fund assets.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries (continued)

2. Functional Currency and Expression Currency

Each entity of the Consolidated Company uses the currency of its primary economic environment in which it operates as its functional currency. The consolidated financial statements are expressed in the Company's functional currency, NTD. Unless otherwise stated, all financial information expressed in NTD is expressed in NTD thousand.

(III) Basis of Consolidation

1. Principles for the Preparation of Consolidated Financial Statements

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

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 non-controlling interests and the fair value of the consideration paid or received is directly recognized in equity and attributable to the owners of the Company.

2. List of subsidiaries in the Consolidated Financial Statements

The subsidiaries included in the consolidated financial statements include:

Name of Investment Company	Subsidiary	Nature of Business	% of Ownership		Remarks
			2021.12.31	2020.12.31	
The Company	Flexbasis Technology Inc. ("Flexbasis")	Manufacture of metal case	65.3%	55%	(Note)

(Note) In June 2021, the Company purchased 10.3% equity from the Chairman of the Board of Director of its subsidiary Flexbasis.

3. Subsidiaries not included in the consolidated financial statements: Nil.

(IV) Foreign Currencies

1. Foreign Currency Transactions

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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

(V) Criteria for classification of assets and liabilities as current and non-current

Assets that meet one of the following conditions are classified as current assets, while all 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 business cycle of the Consolidated Company.
2. Held primarily for trading purposes.
3. Expected to be achieved within 12 months after the reporting period.
4. Cash or cash equivalents, excluding those subject to other restrictions for which liabilities have been swapped or settled for more than 12 months after the reporting period.

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

1. Those expected to be liquidated in the normal operating cycle of the Consolidated Company.
2. Held primarily for trading purposes.
3. Those repayment due in 12 months after the reporting period.
4. The Consolidated Company may not unconditionally extend the repayment period for the liabilities which are more than twelve months after the reporting period.

(VI) Cash and Cash Equivalents

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

(VII) Financial Instruments

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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 operating model of the managed financial assets is changed.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet both of the following conditions and are not designated at fair value through profit or loss:

- These financial assets are held in an operating mode 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.

These financial assets are measured at amortized cost less impairment loss using the effective interest rate method after initial recognition. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. When derecognized, the accumulated profit or loss is recognized in profit or loss.

(2) Financial Assets at Fair Value through Other Comprehensive Profit or Loss

Upon initial recognition, the Consolidated Company may make an irrevocable choice to report the subsequent changes in fair value of the equity instrument investments not held for trading in other comprehensive profit or loss. The aforementioned choice is 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 investment costs) is recognized in profit or loss. The remaining net profit or loss is recognized in other comprehensive profit or loss, and when de-recognized, the other comprehensive profit or loss accumulated under equity shall be reclassified to retained earnings but not 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 at fair value through profit or loss

Financial assets other than those aforementioned that measured at amortized

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

cost or at fair value through other comprehensive profit or loss, are measured at fair value through profit or loss, including derivative financial assets. At the time of initial recognition, the Consolidated Company may irrevocably designate financial assets that meet the criteria to be measured 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 mismatching.

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

- (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 and costs, and profit margin.

In evaluating 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 evaluation 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 evaluation, 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 impairment 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 12-month expected credit losses, 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 for accounts receivable is measured based on the amount of lifetime expected credit losses.

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

evaluation and prospective information.

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

The longest period for measurement of expected credit loss is the same with the longest contract period in which the Consolidated Company is exposed to credit risk.

Expected credit losses are weighted estimates of the probability of credit losses during the expected lifetime of a 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 asset.

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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 written-offs individually on a reasonable expectation of recoverability basis. The Consolidated Company expects that the written-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 overdue amounts.

(6) De-recognition of financial assets

The Consolidated Company will de-recognize financial assets only when the contractual right to cash flow from the asset is terminated, or when the financial asset has been transferred and substantially all the risks and returns of the ownership of the asset have been transferred to other enterprises, or when substantially all the risks and returns of ownership have neither 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 returns of the ownership of the transferred assets.

2. Financial Liabilities

(1) Financial Liabilities

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

Financial liabilities at amortized cost are subsequently measured by the effective interest method. Interest expense and exchange gains and losses are recognized in profit or loss. Any gains or losses at the time of derecognition are also recognized in profit or loss.

(2) De-recognition of financial liabilities

Consolidated Companies are excluded from financial liabilities when contractual obligations have been discharged, 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.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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 when financial liabilities are de-recognized.

(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 state and location in which they are available for sale or production. The fixed production overheads are amortized into finished products and works in process according to the normal production capacity of the production equipment, while the variable production overheads are amortized based on the actual production amount. Thereafter, the cost is measured by the monthly weighted average method as the lower of cost and net realized value, while net realized value is calculated on the basis of the estimated selling price under normal business conditions at the balance sheet date less the remaining costs of completion and selling expenses.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(IX) Investment in Associates

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

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

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

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

The Consolidated Company discontinues using the equity method from the date on which its investment ceases to be an associate and retains its interest at fair value through profit or loss. The difference between the fair value of retained interests and the investment carrying amount of the disposal price on the date when the equity method is discontinued, shall be recognized as the profit and loss of the current period. For all amounts previously recognized in other comprehensive profit or loss relating to the investment, the basis of accounting treatment is the same as that required to be complied with by the associate for the direct disposal of the relevant asset or liability, i.e., if the gain or loss previously recognized in other comprehensive profit or loss is reclassified to profit or loss at the time of the disposal of the relevant asset or liability, such gain or loss is reclassified from equity to profit or loss when the enterprise discontinues the equity method. If the Consolidated Company's ownership interest in the associates is reduced but the equity method continues to be applied, the Consolidated Company will reclassify the gain or loss previously recognized in other comprehensive profit or loss related to the reduction of the ownership interest and adjust the reclassification proportionately according to relevant reduction.

(X) Property, Plant, and Equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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 capitalised only when their future economic benefits are likely to flow to the Consolidated Company.

3. Depreciation

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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Except for the fact that the land is not depreciated, the estimated useful lives of the other assets in the current period and the comparative period are as follows:

- (1) Houses and buildings: 40 years.
- (2) Machinery and equipment: 5 ~ 8 years.
- (3) Transport 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.

(XI) Leases

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

Lessee

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 measured initially at the present value of outstanding lease payments at the commencement 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 payments included in the measurement of lease liabilities include:

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

The lease liability is measured at amortized cost using the effective interest method. It is

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

remeasured when:

1. There is a change in future lease payments arising from the change in an index or rate;
2. There is a change of its assessment on whether it will exercise an extension or termination option, and the evaluation of the lease period shall be changed;
3. Modification of the subject, scope, or other terms of the lease.

When a lease liability is remeasured as a result of the aforementioned change in the index or rate used to determine the lease payments and the change in evaluation of the option to extend or terminate, the carrying amount of the right-of-use asset is adjusted accordingly and the remaining remeasured amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries (continued)

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect partial or total termination of the lease, and the difference between it and the remeasured amount of the lease liability is recognized in profit or loss.

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

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

1. Rent concession as a direct result of the COVID-19 pandemic;
2. The revised consideration for the lease resulting from the change in lease payments is approximately the same as or lesser than the consideration for the lease prior to such change;
3. Any decrease in lease payments only affects the payments that were due prior to December 31, 2021; and
4. The other terms and conditions of the lease remain unchanged in substance.

Under the practical expedient approach, the amount of change is recognized in profit or loss in case of occurrence of an event or circumstance triggering the rent concession that results in a change in lease payments.

(XII) Intangible Assets

Intangible assets are the cost of software purchased externally, measured at cost less the accumulated amortization and accumulated impairment, and are amortized into profit or loss on average over three to five years over its 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. The changes in residual value, amortization period and amortization method are considered as changes in accounting estimates.

(XIII) Impairment of non-financial assets

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

The recoverable amount is the higher of the individual asset fair value or cash-generating units less the cost of sale and the value of their use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount of such individual asset or cash-generating unit will be adjusted to the recoverable amount and will be recognized as an impairment loss. Impairment losses are recognized immediately in profit or loss for the current period. Accumulated impairment losses

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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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 as an impairment loss in prior years.

(XIV) Provision for Liability

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(XV) Income from Contracts with Customers

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 product or labor service is transferred to customer meeting the performance of obligation. The main income items of the Consolidated Company are described as follows:

1. Sales of Goods - Rugged Computers

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

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

2. Commodities for Sale - Business Laptops

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

3. Labor Service Income

The Consolidated Company provides customer 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 customer and relevant payment from the customer is expected to be less than one year.

(XVI) Employee Benefits

1. Defined Contribution Plans

Determine that the obligation to make a contribution for a retirement benefit plan is recognized as an expense during the period in which the employee renders service.

2. Defined Benefits Plans

The net obligation of the Consolidated Company under a defined benefit retirement plan is measured by the present value of the amount of future benefits earned by employees under each benefit plan during the current or prior period, less the fair

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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 benefit 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 contribution requirements shall be considered.

The remeasurement of the net defined benefit liability (asset), comprising actuarial gains and losses, the plan's return on assets (excluding interest and any changes in 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.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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When the plan is revised or reduced, the changes in benefits related to the past service costs or reduced benefits or losses is 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 are recognized as an expense when the relevant services are rendered. For expected payment amount under short-term cash bonus or dividend scheme, if the Consolidated Company undertakes current obligation of legal or constructive payment for the previous provision of services by employees and the obligation can be reliably estimated, the amount shall be recognized as liability.

(XVII) Income Tax

Income tax includes current and deferred income tax. Income tax and deferred income tax for the period are recognized in profit or loss, except for items that are merged with an enterprise and are recognized directly in equity or other comprehensive profit or loss.

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

Deferred income tax is measured and recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax is not recognized for temporary differences arising under the following circumstances:

1. Initial recognized asset or liability not falling to transaction of corporate consolidation, without influencing accounting profit and taxable income (loss) at the time of the transaction;
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 the 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 likely to be available. In addition, it shall be re-evaluated at each reporting date to reduce the relevant income tax benefit to the extent that it is not likely to be realized; or to reverse the previously reduced amount to the extent that it is likely 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 substantive legislative tax rate as at

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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. There is a statutory power of execution to offset the current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities relate 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.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(XVIII) Earnings Per Share

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

(XIX) Division Information

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

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

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

The management has to continuously check the estimate and basic assumptions, and the 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 Company considers that there are significant risks in the evaluation 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 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 sales value, and reduces the cost of inventory to the net realized value. This inventory valuation is based primarily on estimates of goods demand over a specified period in the future and, therefore, might be subject to significant changes. For details on inventory valuation, please refer to Note 6 (4). For details on inventory valuation, please refer to Note 6 (4).

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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VI. Explanation on Important Accounting Items

(I) Cash and Cash Equivalents

	<u>2021.12.31</u>	<u>2020.12.31</u>
Cash On Hand	\$ 382	390
Check Deposits and Demand Deposits	<u>499,704</u>	<u>354,753</u>
	<u>\$ 500,086</u>	<u>355,143</u>

On December 31, 2021 and 2020, the bank time deposits of the Consolidated Company with the original maturity exceeding three months amounted to NTD 246,020 thousand and NTD 255,020 thousand, respectively, which were reported under other financial assets - current.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(II) Financial Instruments

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

	2021.12.31	2020.12.31
Monetary Fund	<u>\$ 120,065</u>	<u>120,035</u>

Please refer to Note 6 (18) for details on the remeasurement of the amount recognized in profit or loss at fair value.

2. Financial Assets Measured at fair value through other Comprehensive Profit or Loss - Non-current

Equity Instrument Investments Measured at Fair Value through Other Comprehensive Profit or Loss:

	2021.12.31	2020.12.31
Unlisted (OTC-listed) Company Shares	<u>24,683</u>	<u>23,431</u>
Foreign-listed Company Shares	<u>699,339</u>	<u>-</u>
Total	<u>\$ 724,022</u>	<u>23,431</u>

The shares of Mildef Group AB, an associate of the Consolidated Company, which was partially invested by equity method, were sold in June 2021 with investment return of NTD 32,622 thousand. Mildef Group AB completed an initial public offering and was listed on Nasdaq Stockholm Stock Exchange, Sweden. The shareholding ratio of the Consolidated Company as a result of the aforementioned disposal and post-IPO was reduced to 12.23%. The equity method was discontinued upon assessment that it no longer had a significant influence on the Company. The difference between the carrying amounts of the investment under equity method and discontinued using the equity method was recognized as a gain on disposal of NTD 463,985 thousand. The remaining shares were converted into -non-current financial assets at fair value through other comprehensive profit or loss, which amounted to NTD 533,596 thousand. The Consolidated Company holds the above equity instrument investments as long-term strategic investments, and is not held for trading purposes. Therefore, it is measured at fair value through other comprehensive profit or loss.

In October 2020, the Company sold some of the shares of the aforementioned unlisted company. The fair value at disposal amounted to NTD 67,136 thousand, and the total accumulated disposal profit amounted to NTD 22,841 thousand. The aforementioned accumulated disposal profit was transferred from other equity to retained earnings.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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Information on significant foreign equity investments as of the report date is as follows:

	2021.12.31			2020.12.31		
	Foreign Currencies	Currency Exchange Rate	NTD	Foreign Currencies	Currency Exchange Rate	NTD
EUR	\$ 756	31.32	23,863	640	35.02	22,431
SEK	227,798	3.07	699,339	-		-

3. For details of market risk information, please refer to Note 6 (19).

(III) Notes and Accounts Receivable (including related party)

	2021.12.31	2020.12.31
Notes and Accounts Receivable	\$ 66,079	24,076
Accounts Receivable- -Related Parties	6,376	163,116
Less: loss allowance	(723)	(723)
	<u>\$ 71,732</u>	<u>186,469</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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The Consolidated Company applies a simplified approach to estimate expected credit losses for all notes and accounts receivable, which are measured by the expected credit losses over the lifetime and incorporate forward-looking information. The expected credit losses of notes and accounts receivable of the Consolidated Company are analyzed as follows:

	2021.12.31		
	Carrying Amount of Notes and Accounts Receivable	Weighted Average Expected Credit Loss Ratio	Provision for Expected Ongoing Credit Losses
Not Overdue	\$ 71,732	0.0000%	-
Overdue for More than 365 Days	<u>723</u>	100%	<u>723</u>
	<u>\$ 72,455</u>		<u>723</u>
	2020.12.31		
	Carrying Amount of Notes and Accounts Receivable	Weighted Average Expected Credit Loss Ratio	Provision for Expected Ongoing Credit Losses
Not Overdue	\$ 186,469	0.0000%	-
Overdue for More than 91 Days	<u>723</u>	100%	<u>723</u>
	<u>\$ 187,192</u>		<u>723</u>

The statement of changes in the provision for impairment losses on notes receivable and accounts receivable of the Consolidated Company is as follows:

	2021	2020
Opening Balance	\$ 723	-
Provision for the Current Period	<u>-</u>	<u>723</u>
Closing Balance	<u>\$ 723</u>	<u>723</u>

(IV) Inventories

	2021.12.31	2020.12.31
Goods	\$ 120,060	144,061
Finished Goods	1,706	944
Semi-finished Goods	199,532	100,138
Work in Process	150,411	190,013
Raw Material	<u>429,451</u>	<u>426,812</u>
	<u>\$ 901,160</u>	<u>861,968</u>

In 2021 and 2020, inventory cost recognized as cost of goods sold was NTD 2,176,505 thousand and NTD 2,264,617 thousand, respectively. The loss on inventory valuation recognized as loss due to inventory write-down to net realized value was NTD 15,595

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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thousand and NTD 29,897 thousand, respectively, recognized under operating cost.

(V) Investment Accounted for Using Equity Method

	<u>2021.12.31</u>	<u>2020.12.31</u>
Carrying Amount of associates at the end of the period	<u>\$ -</u>	<u>137,357</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

The Consolidated Company does not have a specific and significant associates, so the Consolidated Company enjoys the share of the (loss) gain of the associates, and the total disclosure is as follows:

	2021	2020
Net Profit (Loss) for the Current Period	\$ (24,862)	42,127
Other Comprehensive Profit or Loss	-	8,605
Total Comprehensive Profit or Loss	<u>\$ (24,862)</u>	<u>50,732</u>

As of Q1 2021, an associated enterprise which was invested under the equity method, issued new shares, and acquired and merged its subsidiaries, resulting in the shareholding ratio of the Consolidated Company decreasing from 30.74% to 28.97%. The changes in net equity were recognized in the capital reserve - the changes in associated enterprise recognized under the equity method amounted to NTD 37,626 thousand.

(VI) Property, Plant, and Equipment

	Land	Houses and Buildings	Machinery and Equipment	Transportation Facilities	Office Equipment	Other Equipment	Total
Balance as of January 1, 2021	\$ 147,478	70,493	86,931	5,752	762	63,805	375,221
Additions	-	1,806	2,569	1,500	-	7,468	13,343
Balance as of December 31, 2021	<u>\$ 147,478</u>	<u>72,299</u>	<u>89,500</u>	<u>7,252</u>	<u>762</u>	<u>71,273</u>	<u>388,564</u>
Balance as of January 1, 2020	\$ 147,478	70,493	79,625	5,685	342	54,260	357,883
Additions	-	-	7,306	1,684	420	9,645	19,055
Disposals	-	-	-	(1,617)	-	(100)	(1,717)
Balance as of December 31, 2020	<u>\$ 147,478</u>	<u>70,493</u>	<u>86,931</u>	<u>5,752</u>	<u>762</u>	<u>63,805</u>	<u>375,221</u>
Balance as of January 1, 2021	\$ -	23,072	52,591	2,762	330	49,479	128,234
Depreciation	-	1,752	5,906	1,276	75	9,083	18,092
Balance as of December 31, 2021	<u>\$ -</u>	<u>24,824</u>	<u>58,497</u>	<u>4,038</u>	<u>405</u>	<u>58,562</u>	<u>146,326</u>
Balance as of January 1, 2020	\$ -	21,345	46,984	3,391	272	39,983	111,975
Depreciation	-	1,727	5,607	869	58	9,595	17,856
Disposals	-	-	-	(1,498)	-	(99)	(1,597)
Balance as of December 31, 2020	<u>\$ -</u>	<u>23,072</u>	<u>52,591</u>	<u>2,762</u>	<u>330</u>	<u>49,479</u>	<u>128,234</u>
Carrying Amount:							
December 31, 2021	<u>\$ 147,478</u>	<u>47,475</u>	<u>31,003</u>	<u>3,214</u>	<u>357</u>	<u>12,711</u>	<u>242,238</u>
January 1, 2020	<u>\$ 147,478</u>	<u>49,148</u>	<u>32,641</u>	<u>2,294</u>	<u>70</u>	<u>14,277</u>	<u>245,908</u>
December 31, 2020	<u>\$ 147,478</u>	<u>47,421</u>	<u>34,340</u>	<u>2,990</u>	<u>432</u>	<u>14,326</u>	<u>246,987</u>

As of December 31, 2021 and 2020, the Consolidated Company used the equipment as collateral for the loans of non-financial institutions, please refer to Note 8 for details.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(VII) Assets with Right-of-use

	<u>Houses and Buildings</u>
Cost of Assets with Right-of-use:	
Balance as of January 1, 2021	\$ 82,425
Additions	56,725
Lease Modification	170
Reductions	<u>(1,544)</u>
Balance as of December 31, 2021	<u>\$ 137,776</u>
Balance as of January 1, 2020	\$ 63,129
Additions	26,543
Lease Modification	(6,123)
Reductions	<u>(1,124)</u>
Balance as of December 31, 2020	<u>\$ 82,425</u>
Accumulated Depreciation of Assets with Right-of-use:	
Balance as of January 1, 2021	\$ 57,917
Depreciation in the Current Period	29,892
Reductions	<u>(1,544)</u>
Balance as of December 31, 2021	<u>\$ 86,265</u>
Balance on January 1, 2020	\$ 29,487
Depreciation in the Current Period	29,554
Reductions	<u>(1,124)</u>
Balance as of December 31, 2020	<u>\$ 57,917</u>
Carrying Amount:	
December 31, 2021	<u>\$ 51,511</u>
December 31, 2020	<u>\$ 24,508</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(VIII) Intangible Assets

	Computer Software
Cost:	
Balance as of January 1, 2021	\$ 27,316
Additions in the Current Period	<u>8,304</u>
Balance as of December 31, 2021	<u>\$ 35,620</u>
Balance as of January 1, 2020	\$ 25,007
Additions in the Current Period	<u>2,309</u>
Balance as of December 31, 2020	<u>\$ 27,316</u>
Accumulated Amortization:	
Balance as of January 1, 2021	\$ 23,202
Amortization in the Current Period	<u>4,653</u>
Balance as of December 31, 2021	<u>\$ 27,855</u>
Balance on January 1, 2020	\$ 20,360
Amortization in the Current Period	<u>2,842</u>
Balance as of December 31, 2020	<u>\$ 23,202</u>
Carrying Amount:	
Balance as of December 31, 2021	<u>\$ 7,765</u>
Balance on January 1, 2020	<u>\$ 4,647</u>
Balance as of December 31, 2020	<u>\$ 4,114</u>

Amortization expenses of intangible assets in 2021 and 2020 that are included under the consolidated statements of comprehensive income:

	2021	2020
Operating Costs	\$ 199	67
Operating Expenses	<u>4,454</u>	<u>2,775</u>
Total	<u>\$ 4,653</u>	<u>2,842</u>

(IX) Long-term Loans

	2021.12.31			
	Currency	Interest Rate Range	Due year	Amount
Guaranteed Loans from Non-financial Institutions	NTD	3.79%	109~111	\$ 1,751
Less: Liabilities due within one year				<u>(1,751)</u>
Total				<u>\$ -</u>
Credit not yet used				<u>\$ -</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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2020.12.31				
	Currency	Interest Rate Range	Due year	Amount
Guaranteed Loans from Non-financial Institutions	NTD	3.79%	109~111	\$ 3,852
Less: Liabilities due within one year				<u>(2,101)</u>
Total				<u>\$ 1,751</u>
Credit not yet used				<u>\$ -</u>

1. Increase and Repayment of Loans

Borrowings from Shinshin Credit Corporation (a subsidiary of Yulon Finance Corporation) in 2019, the amount repaid in 2021 and 2020 was NTD 2,101 thousand and NTD 3,553 thousand respectively. For details of interest expense, please refer to Note 6 (18).

2. Collateral for Loans from Non-financial Institutions

Please refer to Note 8 for the details of the situation in which the assets of the consolidated subsidiary, Flexbasis Technology Inc., as collateral for the above loans.

(X) Lease Liabilities

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

	2021.12.31	2020.12.31
Current	<u>\$ 22,898</u>	<u>20,216</u>
Non-current	<u>\$ 28,629</u>	<u>4,506</u>

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

Leases recognized in profit or loss are as follows:

	2020	2020
Interest expense on lease liabilities	<u>\$ 352</u>	<u>525</u>
Short-term lease expense	<u>\$ 175</u>	<u>54</u>
COVID-19-related rent concessions are recognized and included under other income. Please refer to Note 6 (18) for details.	<u>\$ 432</u>	<u>344</u>

Amounts recognized and included under the cash flow statement are as follows:

	2021	2020
Total cash outflows from leases	<u>\$ 30,617</u>	<u>30,127</u>

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

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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low-value targets.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(XI) Provision for Liability

	Warranty
Balance as of January 1, 2021	\$ 7,796
Liability provisions added in the current period	933
Liability provisions used in the current period	<u>(4,194)</u>
Balance as of December 31, 2021	<u>\$ 4,535</u>
Balance as of January 1, 2020	\$ 6,596
Liability provisions added in the current period	6,112
Liability provisions used in the current period	<u>(4,912)</u>
Balance as of December 31, 2020	<u>\$ 7,796</u>

The provisions for guarantee liabilities of the Consolidated Company for the years 2020 and 2019 are mainly related to computer sales. The provision for guarantee liabilities is estimated based on the historical guarantee data of the goods sold. The Consolidated Company expects that most of the liabilities will occur successively 1-2 years after the sales.

(XII) Employee Benefits

1. Defined Benefits Plans

Only the Consolidated Company has a defined benefit retirement plan.

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

	2021.12.31	2020.12.31
Present value of defined benefit obligations	\$ 110,774	114,583
Fair value of planned assets	<u>(57,791)</u>	<u>(56,764)</u>
Net liabilities of defined benefit	<u>\$ 52,983</u>	<u>57,819</u>

The Company's defined benefit plan is a special reserve for employee retirement appropriated to the Bank of Taiwan. The payment of an employee's retirement benefit is calculated based on the base number upon the length of service and the average salary for the six months preceding 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, 2021 and 2020, the balance of the Company's banking

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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labor retirement reserve account in Taiwan amounted to NTD 57,791 thousand and NTD 56,764 thousand, 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 Funds.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(2) Changes in the present value of defined benefit obligations

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

	2021	2020
Defined benefit obligations as of January 1	\$ 114,583	106,183
Current Service Cost	276	473
Interest Cost	711	1,187
Retirement Benefits Paid - Special Account for Employee Retirement Reserve	(3,708)	-
Net Remeasurement of Defined Benefit Liabilities		
- Actuarial losses (gains) arising from adjustments based on experience	(3,398)	991
- Actuarial losses (gains) arising from changes in financial assumptions	-	5,749
- Actuarial losses (gains) arising from changes in demographic assumptions	2,310	-
Defined benefit obligations as of December 31	<u>\$ 110,774</u>	<u>114,583</u>

(3) Changes in Fair Value of Planned Assets

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

	2021	2020
Fair Value of Planned Assets as of January 1	\$ 56,764	51,015
Amount Allocated to Plan	3,745	3,706
Interest Income	390	637
Amount of Retirement Fund Paid	(3,708)	-
Net Remeasurement of Defined Benefit Liabilities		
- Return on planned assets (excluding current interest)	600	1,406
Fair Value of Planned Assets as of December 31	<u>\$ 57,791</u>	<u>56,764</u>

(4) Changes in Cap Asset Effects

The Consolidated Company had no cap asset effect change in the defined benefit plans of 2021 and 2020.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(5) Expense Recognized and Included in Profit or Loss

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

	2021	2020
Current Service Cost	\$ 276	473
Interest on Net Defined Benefit Liabilities	321	550
	<u>\$ 597</u>	<u>1,023</u>
Operating Costs	\$ 191	465
Operating Expenses	406	558
	<u>\$ 597</u>	<u>1,023</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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(6) Actuarial Assumptions

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

	2021.12.31	2020.12.31
Discount Rate	0.625%	0.625%
Future Salary Increase Rate	3.00%	3.00%

The expected appropriation paid by the Company to the defined benefit plan within one year after December 31, 2021 amounted to NTD 3,737 thousand.

The weighted average duration of defined benefit plans is 13.65 years.

(7) Sensitivity Analysis

As of December 31, 2021 and 2020, the carrying amount of the net defined benefit liabilities of the Company amounted to NTD 52,983 thousand and NTD 57,819 thousand, respectively. When the adopted discount rate and employee salary adjustment rate increased or decreased by 0.25%, the changes in the present value of the defined benefit obligations of the Company as of December 31, 2021 and 2020 are as follows:

	2021.12.31			
	Discount Rate		Compensation Rate	
	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	<u>(2,638)</u>	<u>2,749</u>	<u>2,634</u>	<u>(2,546)</u>

	2020.12.31			
	Discount Rate		Compensation Rate	
	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	<u>(2,935)</u>	<u>3,056</u>	<u>2,929</u>	<u>(2,830)</u>

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

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

2. Defined Contribution Plans

The Consolidated Company's defined contribution plan is based on the Labor

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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Pension Act, and the contribution rate is 6% of the employee monthly wages to the Labor Pension Personal Account prescribed by the Bureau of Labor Insurance. There is no statutory or constructive obligation for the Consolidated Company to pay additional amount, if the Consolidated Company has allocated fixed amount to the Bureau of Labor Insurance.

The retirement benefit expenses under the defined contribution plan of the Consolidated Company for 2021 and 2020, were NTD 10,727 thousand and NTD 10,937 thousand, respectively.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(XIII) Income Tax

1. Income Tax Expenses

The details of income tax expenses of the Consolidated Company for 2021 and 2020 are as follows:

	2021	2020
Income Tax Expenses in the Current Period		
Incurred in the Current Period	\$ 107,730	86,681
Adjustment of Current Income Tax Incurred in the Preceding Period	<u>4,297</u>	<u>540</u>
	<u>112,027</u>	<u>87,221</u>
Deferred Income Tax Expenses		
Occurrence and Reversal of Temporary Difference	<u>52,775</u>	<u>5,039</u>
Income Tax Expenses	<u>\$ 164,802</u>	<u>92,260</u>

Details of income tax expenses recognized and included under other comprehensive profit or loss are as follows:

	2021	2020
Actuarial Gains (Losses) of Defined Benefit Plan	<u>338</u>	<u>(1,066)</u>
Financial Assets at Fair Value through Other Comprehensive Profit or Loss	<u>33,148</u>	<u>-</u>
Total	<u>\$ 33,486</u>	<u>(1,066)</u>

Adjustments between the income tax expenses in 2021 and 2020 and the net pre-tax profit of the Consolidated Company are as follows:

	2021	2020
Net profit before tax	<u>\$ 809,177</u>	<u>421,756</u>
Income tax calculated based on the domestic tax rate of the Company	\$ 161,835	84,351
Effects of tax rate difference in foreign jurisdiction	(16,432)	3,325
Tax on undistributed earnings	2,363	-
Others	<u>17,036</u>	<u>4,584</u>
	<u>\$ 164,802</u>	<u>92,260</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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2. Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2021 and 2020 are as follows:

Deferred Income Tax Assets:

	Defined Benefits Plans	Loss on Provision for Inventory Valuation	Others	Total
January 1, 2021	\$ 10,496	48,409	7,582	66,487
Statement of Profit or Loss - (Debit) Credit	(630)	3,119	(628)	1,861
Other Comprehensive Profit or Loss - (Debit) Credit	(338)	-	-	(338)
December 31, 2021	\$ 9,528	51,528	6,954	68,010

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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	Defined Benefits Plans	Loss on Provision for Inventory Valuation	Others	Total
January 1, 2020	\$ 9,967	42,418	6,693	59,078
Statement of Profit or Loss - (Debit) Credit	(537)	5,991	889	6,343
Other Comprehensive Profit or Loss - (Debit) Credit	1,066	-	-	1,066
December 31, 2020	\$ 10,496	48,409	7,582	66,487

Deferred Income Tax Liabilities:

	Investment Accounted by Equity Method	Financial Assets at Fair Value through Other Comprehe nsive Profit or Loss	Total
January 1, 2021	\$ 49,271	-	49,271
Statement of Profit or Loss - (Debit) Credit	(49,271)	103,907	54,636
Other Comprehensive Profit or Loss - (Debit) Credit	-	33,148	33,148
December 31, 2021	\$	137,055	137,055
January 1, 2020	\$ 37,889	-	37,889
Statement of Profit or Loss - (Debit) Credit	11,382	-	11,382
December 31, 2020	\$ 49,271	-	49,271

3. The Company has submitted tax return applications until the year 2019, as prescribed by the tax authority, upon settlement and audit.

(XIV) Capital and Other Equity

1. Capital stock - common shares

As of December 31, 2021 and 2020, the total authorized capital stock of the Company amounted to NTD 700,000 thousand, with a par value of NTD 10 per share, divided into 70,000 thousand shares, and 58,685 thousand shares were issued.

2. Capital surplus

	2021.12.31	2020.12.31
Premium on Share Issuance	\$ 72,650	72,650

According to the provisions of the Company Act, the capital surplus must be

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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	Defined Benefits Plans	Loss on Provision for Inventory Valuation	Others	Total
<p>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.</p>				

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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3. Retained earnings

(1) Legal Reserve

When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution at the Shareholders' Meeting, but shall 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, the net amount after deduction of other shareholders' equity incurred in the current year shall be accounted for. Special surplus reserve of the same amount shall be withdrawn from the current profit and loss and the undistributed surplus of the previous period; As for the amount of other shareholders' equity reduction accumulated in the previous period, the same amount of special earnings reserve shall not be allocated from the undistributed earnings of the previous period. If other shareholders' equity deduction has been reversed, the reversal shall be applicable to earnings distribution.

(3) Earnings Distribution

In accordance with the provisions of the Articles of Association 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 made anymore. In addition, after the special earnings reserve is raised or transferred as required by laws and regulations, the Company shall also accumulate the undistributed earnings, and the Board of Directors shall propose the allocation of earnings to the Board of Shareholders 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 condition, and is distributed after the resolution of the shareholders' meeting in accordance with the following principles:

- A. Except for the distribution by a reserve in accordance with the provisions of Item B below, no bonus shall be distributed when the Company has no surplus. However, when the legal surplus reserve has exceeded 50% of the total capital, the excess portion of the bonus may be distributed. The distribution of earnings shall be done in the form of shares or cash dividends, and the proportion of distribution is considered as follows:
 - a. To meet the needs of the Company to expand its scale of operations in

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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the future;

- b. To maintain a balance in the profitability of the Company's earnings per share;
- c. To consider the Company's cash flow and operating earnings situation.

Cash dividends shall account for 0% to 100% of the total dividends, and stock dividends shall account for 0% to 80% of the total dividends. Upon decision by the Board of Directors, the dividends shall be distributed by the resolution of the shareholders' meeting.

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

On July 15, 2021 and June 18, 2020, the Company resolved the 2020 and 2019 surplus distribution scheme at the shareholders' meeting. The dividends distributed to the shareholders are as follows:

	2020		2019	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends distributed to shareholders of common shares:				
Cash	\$ 4.50	<u><u>\$ 264,085</u></u>	4.20	<u><u>246,479</u></u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
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On March 17, 2022, the Company's Board of Directors proposed the Company's surplus distribution scheme as follows:

	2021	
	Dividend per share (NTD)	Amount
Dividends distributed to shareholders of common shares:		
Cash	\$ 3.70	<u><u>\$ 217,137</u></u>

4. Other Equity (net after-tax)

	Share of other comprehensive profit or loss of associates recognized under equity method	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	Remeasurement Amount of the Defined Benefit Plan
Balance as of January 1, 2021	\$ (14,798)	(9,783)	(20,360)
Share of other comprehensive profit or loss of associates recognized under equity method	14,798	-	-
Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	-	133,847	-
Net After-tax Actuarial Gains and Losses from Defined Benefit Plan	-	-	1,350
Balance as of December 31, 2021	<u><u>\$ -</u></u>	<u><u>124,064</u></u>	<u><u>(19,010)</u></u>
	Share of other comprehensive profit or loss of associates recognized under equity method	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	Remeasurement Amount of the Defined Benefit Plan
Balance as of January 1, 2020	\$ (23,403)	(12,780)	(16,092)
Share of other comprehensive profit or loss of associates recognized under equity method	8,605	-	-
Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	-	25,838	-
Net After-tax Actuarial Gains and Losses from Defined Benefit Plan	-	-	(4,268)
Disposal of equity instruments at fair value through other comprehensive profit or loss	-	(22,841)	-
Balance as of December 31, 2020	<u><u>\$ (14,798)</u></u>	<u><u>(9,783)</u></u>	<u><u>(20,360)</u></u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(XV) Earnings Per Share

1. Basic earnings per share

	<u>2021</u>	<u>2020</u>
Net Profit Attributable to Shareholders of Common Share Equity of the Company	<u>\$ 638,192</u>	<u>323,272</u>
Weighted Average Common Shares Outstanding (thousand shares)	<u>58,685</u>	<u>58,685</u>
Basic Earnings per share (NTD)	<u>\$ 10.87</u>	<u>5.51</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

2. Diluted earnings per share

	2021	2020
Net Profit Attributable to Shareholders of Common Share Equity of the Company	\$ 638,192	323,272
Weighted Average Common Shares Outstanding (thousand shares)	58,685	58,685
Effect of Employee Compensation	866	1,144
Weighted average number of common shares outstanding (after adjustment for the effect of dilutive potential common shares)	59,551	59,829
Diluted Earnings per share (NTD)	\$ 10.72	5.40

(XVI) Income from Customers' Contracts

1. Income Breakdown

	2021	2020
Major Products/Service Lines:		
Business Computers	\$ 1,860,691	1,814,013
Rugged Computers	768,811	983,596
Maintenance Services and Others	178,203	178,217
	\$ 2,807,705	2,975,826

Please refer to Note 14 (3) 2 for market information in the main sales regions.

2. Contract Balance

	2021.12.31	2020.12.31	2020.1.1
Notes and Accounts Receivable	\$ 72,455	187,192	136,261
Less: loss allowance	(723)	(723)	-
Total	\$ 71,732	186,469	136,261
Contractual liabilities (including related parties) - sales of products	\$ 263,911	222,333	232,098

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

Contractual liabilities are mainly generated by advance receipts from the sale of robust computers, and the Consolidated Company shall recognized it as income when the products are delivered to customers. The opening balances of contractual liabilities on January 1, 2020 and 2019 were recognized and included as income in 2021 and 2020, amounted for NTD 110,762 thousand and NTD 97,144 thousand, respectively.

(XVII) Compensation for Employees and Directors

In accordance with the provisions of the Articles of Association of the Company, if there is profit in the year, 5% ~ 10% shall be allocated to the remuneration of employees and not more than 3% to the remuneration of directors. However, in case of accumulated losses,

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

the Company shall withhold the amount to make up. The employee compensation referred to in the preceding paragraph can be paid to, in the forms of shares or cash, an employee of the subsidiary who meets certain conditions.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

The estimated amount of employee compensation of the Company for 2021 and 2020 amounted to NTD 42,242 thousand and NTD 44,522 thousand, respectively. The director's estimated compensation amounted to NTD 7,312 thousand and NTD 8,923 thousand, respectively. The estimated amount is calculated on the net pre-tax profit of the Company, without deducting employee and director compensation, and multiplied by the distribution percentages of employee and director compensation, as prescribed by the Articles of Association of the Company. It is recognized and included as operating cost or operating expenses for 2021 and 2020. If the employee compensation is issued in the form of shares, the number of shares allotted shall be calculated based on the closing price of common shares on the day before by the 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 amounts of the employee compensation and director compensation distributed by the Company's Board of Directors are identical to the amounts estimated in the aforementioned financial statements of the Company for 2021 and 2020, and are all issued in cash. For relevant information, please refer to the Market Observation Post System.

(XVIII) Non-operating Income and Expenses

1. Interest Income

The details of interest income of the Consolidated Company are as follows:

	2021	2020
Interest on Bank Deposits	\$ 2,140	2,419
Other Interest Income	6,107	5,750
Total interest income	<u><u>\$ 8,247</u></u>	<u><u>8,169</u></u>

2. Other Income

	2021	2020
Dividend income	\$ 8,844	9,603
COVID-19-related rent concessions	432	344
Others	1,215	869
Total	<u><u>10,491</u></u>	<u><u>10,816</u></u>

3. Other Gains and Losses

	2021	2020
Loss on Foreign Currency Exchanges	\$ (5,719)	(10,685)
Gains from disposal of property, plant and equipment	-	175
Net gain on financial assets measured at fair value through profit or loss	357	665
Others	(9)	(13)
	<u><u>\$ (5,371)</u></u>	<u><u>(9,858)</u></u>

4. Financial Costs

	2021	2020
Interest expense:		
Loans from non-financial institutions	\$ (105)	(186)
Lease Liabilities	(352)	(525)
Others	(26)	-
	<u><u>\$ (483)</u></u>	<u><u>(711)</u></u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(XIX) Financial Instruments

1. Types of Financial Instruments

(1) Financial Assets

	<u>2021.12.31</u>	<u>2020.12.31</u>
Financial Assets Measured at Fair Value through Profit or Loss - Current:		
Monetary Fund	\$ 120,065	120,035
Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss - Non-current:		
Unlisted (OTC-listed) Company Shares	24,683	23,431
Foreign-listed Company Shares	699,339	-
Financial Assets Measured at Amortized Cost:		
Cash and Cash Equivalents	500,086	355,143
Notes and Accounts Receivable (including related parties)	71,732	186,469
Other Financial Assets - Current	246,020	255,020
Other Non-current Assets - Refundable Deposits	5,600	5,405
Total	<u><u>\$ 1,667,525</u></u>	<u><u>945,503</u></u>

(2) Financial Liabilities

	<u>2021.12.31</u>	<u>2020.12.31</u>
Financial Liabilities Measured at Amortized Cost:		
Loans from non-financial institutions	\$ 1,751	3,852
Lease Liabilities	51,527	24,722
Accounts Payable	246,906	263,434
Total	<u><u>\$ 300,184</u></u>	<u><u>292,008</u></u>

2. Credit Risk

(1) Exposure to Credit Risk

The carrying amount of a financial asset represents the maximum amount of credit risk. As of December 31, 2021 and 2020, the maximum credit risk amount of the Company amounted for NTD 1,667,525 thousand and NTD 945,503 thousand, 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 related party accounts receivable) of the Consolidated Company on December 31, 2021 and 2020, 86.90% and 99.12% were composed of four customers, respectively, which resulted in the Consolidated Company's concentration of credit risk. In order to reduce credit risk, the Consolidated Company continuously evaluated the financial condition of customers and strictly supervised the credit line.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries (continued)

3. Liquidity Risk

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

	Contractual Cash Flow	Less than 6 Months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
12 Month 31 Day, 2021 Year						
Notes and Accounts Payable (including related parties)	\$ (130,743)	(130,743)	-	-	-	-
Lease Liabilities	(53,605)	(15,042)	(8,605)	(11,599)	(18,043)	(316)
Loans from non-financial institutions	(1,855)	(1,114)	(741)	-	-	-
Other Payables (including related parties)	(116,163)	(116,163)	-	-	-	-
	\$ (302,366)	(263,062)	(9,346)	(11,599)	(18,043)	(316)
12 Month 31 Day, 2020 Year						
Notes and Accounts Payable (including related parties)	\$ (147,770)	(147,770)	-	-	-	-
Lease Liabilities	(24,938)	(13,276)	(7,127)	(4,535)	-	-
Loans from non-financial institutions	(3,985)	(1,108)	(1,096)	(1,781)	-	-
Other Payables (including related parties)	(115,664)	(115,664)	-	-	-	-
	\$ (292,357)	(277,818)	(8,223)	(6,316)	-	-

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. Foreign Exchange Risk

(1) Exposures of Foreign Exchange Risk

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

		2021.12.31 Currency Exchange Rate	NTD	2020.12.31 Currency Exchange Rate	NTD
<u>Financial Assets</u>					
<u>Monetary Items</u>					
USD	\$ 5,363	27.68	148,448	28.48	219,410
<u>Financial Liabilities</u>					
<u>Monetary Items</u>					
USD	9	27.68	249	28.48	1,595

For exchange rate risk information on non-monetary foreign currency assets, please refer to Note 6 (2).

(2) Sensitivity Analysis

The exchange rate risk of the Consolidated Company is mainly derived from cash and cash equivalents denominated in foreign currencies, accounts receivable (including related parties), accounts payable and other payables (including related parties), etc., and foreign currency exchange gains and losses are generated upon conversion. As of December 31, 2021 and 2020, at the premise that the NTD depreciation or appreciation against USD by 1%, while all other factors remain unchanged, the net pre-tax profit for 2021 and 2020 will increase or decrease by NTD 1,482 thousand and NTD 2,178 thousand, respectively. The two phases of the analysis were based on the same basis.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(3) Exchange Gains or Losses Incurred from Monetary Items

The exchange gains and losses on monetary items of the Consolidated Company are mainly incurred from the foreign currency transactions that denominated in USD, at the conversion into NTD. As of December 31, 2021 and 2020, the amount of unrealized exchange losses and rate of foreign currency transactions denominated in USD are as follows:

	2021.12.31	2020.12.31
Unrealized Exchange Loss at the Period End	\$ 1,917	1,918
Exchange rate at the end of the period	27.68	28.48

5. Interest Rate Risk

On December 31, 2021 and 2020, the Consolidated Company mainly operated with its own funds, and the amount of external borrowings was not significant. The amount of the financial assets of the Consolidated Company was not materially affected by the change in interest rate. Therefore, the management of the Consolidated Company considers that the change in interest rate has no significant impact on its the short-term profit and loss.

6. Fair Value Information

(1) Financial Instruments Not Measured at Fair Value

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

(2) Financial Instruments Measured at Fair Value

Financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive profit or loss of the Consolidated Company are measured at fair value on the basis of repeatability. Each Fair Value Hierarchy is Defined as follows:

- A. Level 1: Public quotations (unadjusted) of identical assets or liabilities in the active market.
- B. Level 2: In addition to the public quotations included in Level 1, the input parameters of an asset or liability are directly (i.e., at price) or indirectly (i.e., derived from price) observable.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

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

		2021.12.31			
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Profit or Loss - Current:					
Monetary Fund	\$ 120,065	120,065	-	-	120,065
Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss - Non-current:					
Unlisted (OTC-listed) Company Shares	\$ 24,683	-	-	24,683	24,683
Foreign-listed Company Shares	699,339	699,339	-	-	699,339
	\$ 724,022	699,339	-	24,683	724,022

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

	2020.12.31				
	Fair Value				Total
	Carrying Amount	Level 1	Level 2	Level 3	
Financial Assets Measured at Fair Value through Profit or Loss - Current:					
Monetary Fund	\$ 120,035	120,035	-	-	120,035
Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss - Non-current:					
Unlisted (OTC-listed) Company Shares	\$ 23,431	-	-	23,431	23,431

There is no fair-value measured financial assets and liabilities hierarchy transferring in 2021 and 2020.

(3) Fair Value Valuation Techniques of Financial Instruments Measured at Fair Value

If there is an open quotation to financial instruments at an active market, then the open quotation will be taken as fair value.

The standard terms and conditions of monetary funds and equity instruments of foreign listed companies held by the Consolidated Company are subject to standard terms and conditions, and are traded in active markets. Their fair value is determined by reference to market quotations.

In addition to the aforementioned financial instruments on active markets, the fair value of the remaining financial instruments is obtained by reference to valuation techniques or quotations from trading counterparts. The fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with substantially similar conditions and characteristics, the discounted cash flow approach, or other evaluation techniques, including the calculation based on the market information acquirable on the balance sheet date by using models.

The unlisted (OTC-listed) shares held by the Company on non-active market are measured at fair value by using the cash flow discounting model. The main assumption is that the 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.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(4) Details of Changes in the Level 3

	Equity Instruments of Financial Assets at Fair Value through Other Comprehensive Profit and Loss
January 1, 2021	\$ 23,431
Gross Profit or Loss	
Recognized and Included under Other Comprehensive Profit or Loss	166,995
Reclassification	<u>533,596</u>
December 31, 2021	<u>\$ 724,022</u>
January 1, 2020	\$ 64,729
Recognized and Included under Other Comprehensive Profit or Loss	25,838
Disposals	<u>(67,136)</u>
December 31, 2020	<u>\$ 23,431</u>

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

- (5) Quantitative information on fair value measurement of significant non-observable input value (Level 3)

The financial instruments of the Consolidated Company measured at fair value and classified as Level 3, are financial assets measured at fair value through other comprehensive profit or loss - unlisted (OTC-listed) shares.

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

Items	Valuation Techniques	Significant Unobservable Input Value	Relation of Significant Unobservable Input Value with Fair Value
Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss - Unlisted (OTC-listed) Shares	Cash Flow Discounting Approach	· Shareholders' equity capital cost ratio (8.55% on December 31, 2021; 9.30% on December 31, 2020)	· The higher the equity capital cost ratio, the lower the fair value

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

The Consolidated Company's fair value measurement of financial instruments is reasonable, except that 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 profit or loss in the current period is as follows:

	Input Value	Upward or Downward Change	Fair Value Changes Reflected in Other Comprehensive Profit or Loss	
			Favorable Change	Adverse Change
December 31, 2021				
Financial Assets at Fair Value through Other Comprehensive Profit or Loss				
Unlisted (OTC-listed) Company Shares	Cost Ratio of Shareholders' Equity Capital	0.25%	\$ 156	154
December 31, 2020				
Financial Assets at Fair Value through Other Comprehensive Profit or Loss				
Unlisted (OTC-listed) Company Shares	Cost Ratio of Shareholders' Equity Capital	0.25%	\$ 146	144

Favourable and unfavourable changes in the Consolidated Company refer to

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

fluctuations in fair value, which is calculated using valuation techniques based on varying degrees of non-observable input parameters. Where the fair value of a financial instrument is affected by more than one input value, the above table only reflects the effect of changes in the single input value, and does not take into account the correlation and variability between the input values.

(XX) Financial Risk Management

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

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries (continued)

The Consolidated Company supervises and oversees its financial activities in accordance with the relevant regulations and internal control system. The internal auditors play a supervisory role and regularly report the results to the Board of Directors.

1. Credit Risk

Credit risk is the risk of financial loss arising from the failure of the Consolidated Company's customers 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 Consolidated Company's bank deposits are all deposited in public and large-scale private financial institutions with a good reputation, and the fund beneficial certificates held are issued by companies with a good reputation, without major contractual obligation doubts. Therefore, the Consolidated Company's bank deposits and the fund beneficial certificates held are considered free from significant credit risk.

The Consolidated Company has established a credit policy that analyses the financial position of each customer individually to determine its credit limit, with continuous evaluation of the financial position of the customer 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 manage the exposure to market risk to an acceptable extent and optimize the return on investment.

(1) Foreign Exchange Risk

The Consolidated Company is exposed to exchange rate risk arising from sales and purchasing transactions that are not denominated in the functional currency (NTD) of the Consolidated Company. The major currency in which these transactions are denominated in USD. However, since the net positions of the foreign currency assets and liabilities of the Consolidated Company are generally not material, the management of the Consolidated Company considers that the exchange rate risk of the Consolidated Company is not material, in addition to continuing to manage the Consolidated Company's net foreign currency exposure

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

at an acceptable level.

(2) Interest Rate Risk

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

(3) Other Market Risks

The Consolidated Company is exposed to the risk of changes in equity prices arising from investments in equity securities of listed counterparts, which are not held for sales, but long-term strategic investments.

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

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

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

The sensitivity analysis of equity instrument price risk is based on changes in fair value at the end of the statement period. In case of a price increase/decrease by 5% of the equity instruments, the amount of other comprehensive profit or loss for 2021 would have increased/decreased by NTD 34,967 thousand.

(XXI) Capital Management

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

The capital and liability ratio as of the statement date is as follows:

	2021.12.31	2020.12.31
Total Liabilities	\$ 817,979	680,507
less: cash and cash equivalents	500,086	355,143
Net Liabilities	\$ 317,893	325,364
Total Equity	\$ 2,140,190	1,622,589
Capital and Liability Ratio	14.85%	20.05%

There has been no significant change in the capital management of the Consolidated Company in 2021.

(XXII) Investment and Fund-raising Activities for Non-cash Transactions

- For acquisition of right-of-use by asset lease, please refer to Note 6 (7).
- Adjustment of Liabilities Arising from Financing Activities is as follows:

	2021.1.1	Cash Flow	Changes in Non-cash Items		2021.12.31
			Additions	Reductions	
Long-term Loans (including maturities within one year)	\$ 3,852	(2,101)	-	-	1,751
Lease Liabilities	24,722	(30,090)	56,895	-	51,527
Total liabilities from financing activities	\$ 28,574	(32,191)	56,895	-	53,278

	2020.1.1	Cash Flow	Changes in Non-cash Items		2020.12.31
			Additions	Reductions	
Long-term Loans (including maturities within one year)	\$ 7,405	(3,553)	-	-	3,852
Lease Liabilities	33,850	(29,548)	26,543	(6,123)	24,722
Total liabilities from financing activities	\$ 41,255	(33,101)	26,543	(6,123)	28,574

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

VII. Related Party Transactions

(I) Name of related party and relationship

During the period covered by the consolidated financial statements, the following related parties have had transactions with the Consolidated Company:

<u>Name of Related Party</u>	<u>Relationship with the Consolidated Company</u>
MilDef Group AB (Note)	Associated Enterprises of the Consolidated Company
MilDef Products AB (Note)	Subsidiary of MilDef Group AB
MilDef Ltd. (Note)	Subsidiary of MilDef Group AB
MilDef Inc. (Note)	Subsidiary of MilDef Group AB
Roda Computer GmbH	The Consolidated Company is one of the three shareholders of the company

(Note) Since June 2021, the Consolidated Company has lost significant influence over MilDef Group AB, which is no longer an associate of the Consolidated Company.

(II) Significant Transactions with Related Parties

1. Operating Income

	<u>2021</u>	<u>2020</u>
Associated Enterprises	\$ 58,895	324,677
Other Related Parties		
Roda Computer GmbH	376,504	485,522
	<u>\$ 435,399</u>	<u>810,199</u>

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

2. Accounts Receivable from Related Parties

	<u>2021.12.31</u>	<u>2020.12.31</u>
Associated Enterprises		
MilDef Ltd.	\$ -	1,030
MilDef Products AB	-	108,601
MilDef Inc.	-	25,437
Other Related Parties		
Roda Computer GmbH	6,376	28,048
	<u>\$ 6,376</u>	<u>163,116</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

3. Contractual Liabilities of Affiliates (accounted as contractual liabilities)

	<u>2021.12.31</u>	<u>2020.12.31</u>
Associated Enterprises	\$ -	11,665
Other Related Parties		
Roda Computer GmbH	<u>76,680</u>	<u>41,305</u>
	<u>\$ 76,680</u>	<u>52,970</u>

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

4. Maintenance and Other Operating Income

	2021	2020
Associated Enterprises	\$ 3,083	2,364
Other Related Parties	7,382	6,717
	<u>\$ 10,465</u>	<u>9,081</u>

Receivables arising from the above transactions are received.

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

	Technical service fee, maintenance fee and others		Other Payables to Related Parties	
	2021	2020	2021.12.31	2020.12.31
Associated Enterprises	\$ 4,184	2,295	-	632
Other Related Parties	857	1,301	-	268
	<u>\$ 5,041</u>	<u>3,596</u>	<u>-</u>	<u>900</u>

(III) Compensation of Major Management Personnel

Compensation of major management personnel includes:

	2021	2020
Short-term Employee Benefits	\$ 17,904	17,108
Post-employment Benefits	106	394
	<u>\$ 18,010</u>	<u>17,502</u>

VIII. Pledged Assets

The details of the carrying value of pledged assets by the Consolidated Company are as follows:

Asset Name	Pledge Guarantee Subject	2021.12.31	2020.12.31
Time Deposit	Tariff Guarantee	\$ 200	200
Property, Plant, and Equipment	Loans from non-financial institutions	6,384	17,687
		<u>\$ 6,584</u>	<u>17,887</u>

IX. Significant Liabilities and Unrecognized Contractual Commitments: None.

X. Critical Disaster Loss: None.

XI. Major Subsequent Events: None.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

XII. Others

- (I) Employee benefits, depreciation and amortization expenses summarized by function are as follows:

Function Type	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expenses						
Salary Expenses	87,187	174,762	261,949	81,700	178,274	259,974
Labor and Health Insurance Costs	7,486	15,496	22,982	6,516	15,468	21,984
Retirement benefit Expenses	3,508	7,816	11,324	3,546	8,414	11,960
Director Compensation	-	7,380	7,380	-	9,031	9,031
Other Employee Welfare Expense	848	2,414	3,262	842	2,319	3,161
Depreciation Expenses	19,143	28,841	47,984	18,437	28,973	47,410
Amortization Expenses	199	4,454	4,653	67	2,775	2,842

XIII. Notes to Disclosures

- (I) Information Related to Significant Transactions

In accordance with the requirements of the Preparation Standards, for the year 2021, the information related to significant transactions that should be disclosed is as follows:

1. Funds Lent to Others: None.
2. Endorsement for Others: None.
3. Description of marketable securities held at the end of the period (excluding investment subsidiaries, associated enterprises, and joint venture equity):

Unit: thousand shares / thousand Units / NTD thousand

Securities Holder	Type and Name of Securities	Relationship with Issuer of Securities	Accounting Item	End of Period			Fair Value/Net value	Highest shareholding ratio during the period	Remarks
				Number of Shares	Carrying Amount	Shareholding Ratio			
The Company	Roda Computer GmbH Shares	The Company is one of the three shareholders of this company	Financial Assets Measu	-	23,683	8.00%	23,683	8.00 %	
The Company	Alliance Technology Co., Ltd. Shares	-	"	100	1,000	0.79%	1,000	0.79 %	
The Company	Mildef Group AB Shares		"	4,356	699,339	12.23%	699,339	12.23 %	
The Company	UPAMC James Bond Money Market Fund		Financial Assets Measu	2,372	40,022	-	40,022	-	
The Company	Hua Nan Phoenix Money Market Fund		"	1,219	20,013	-	20,013	-	
The Company	Fuh Hwa Money Market Fund	-	"	1,374	20,009	-	20,009	-	
The Company	Hua Nan Kirin Money Market Fund		"	1,655	20,007	-	20,007	-	
The Company	Jih Sun Money Market Fund		"	1,335	20,014	-	20,014	-	

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

4. Accumulative purchase or sale of the same marketable securities amounted to NTD 300 million or more than 20% of the paid-in capital:

Unit: thousand shares/NTD thousand

Company Purchasing or Selling	Type and Name of Securities	Accounting Item	Counterpart	Relation	Beginning of Period		Buy-in		Sell-out				End of Period	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Selling Price	Carrying cost (Note)	Profit or Loss on Disposal	Number of Shares	Amount (Note)
The Company	UPAMC James Bond Money Market Fund	Financial Assets Measured at Fair Value through Profit or Loss - Current	-	-	3,564	60,020	10,088	170,185	11,280	190,183	190,183	-	2,372	40,022

(Note) Including gains measured at fair value

5. Real estate acquisition amounted to NTD 300 million or more than 20% of paid-in capital: None.
6. Disposal of real estate amounted to NTD 300 million or more than 20% of paid-in capital: None.
7. Amount of goods sold and purchased with related parties reached NTD 100 million or more than 20% of paid-in capital:

Unit: NTD thousand

Goods Purchasing (Sales) Company	Counterpart	Relation	Transaction Details				Situation and reason why trading conditions are different from general trading		Notes and Accounts Receivable (Payable)		Remarks
			Purchase (Sales) of Goods	Amount	Percentage of total Goods Purchasing (Sales)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Roda Computer GmbH	The Company is one of the three shareholders of this company	Sale of Goods	376,504	13.41 %	Delivery in 45 days	-	-	6,376	8.89%	

8. Receivables from related parties amounted to NT \$100 million or more than 20% of paid-in capital: None.
9. Engaged in Derivative Transactions: None.
10. Business relationship and significant transactions between the parent company and the subsidiary:

No. (Note 1)	Company Name	Transacting Counter Party	Relationship (Note 2)	Transaction Status			
				Accounts	Amount	Transaction Terms	Percentage of total consolidated operating income or total assets (%)
1	Flexbasis Technology Inc.	The Company	2	Accounts Receivable	7,287	Next month's settlement 60 days	0.25
1	Flexbasis Technology Inc.	The Company	2	Sales Income	74,085	Next month's settlement 60 days	2.64

Note 1: The serial number is filled in as follows:

- 0 stands for parent company.
- Subsidiaries are numbered sequentially starting with the Arabic numeral 1 for each company.

Note 2: The types of relationships with traders are indicated as follows:

- Parent company to subsidiary.
- Subsidiary to parent company.

Notes to the Consolidated Financial Statements of Mildef Crete Inc. and its subsidiaries
(continued)

(II) Relevant Information on the Reinvestment Business:

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

Unit: thousand shares/NTD thousand

Name of the Investment Company	Name of Investee	Location	Main Business Activities	Initial Investment		Holdings at the End of Period			Highest shareholding ratio during the period	Gain (loss) of investee company in the current period	Investment gain (loss) recognized in the current period	Remarks
				End of the Current Period	End of Previous Year	Number of Shares	Ratio	Carrying Amount				
The Company	MilDef Group AB	Muskotgatan 12, S 250 22 Helsingborg, Sweden	Buying and Selling Business	-	23,065	-	- %	-	30.74%	-	(24,862)	(Note 1)
The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing Industry	27,208	20,350	2,416	65.30%	26,289	65.30%	27,372	7,062	(Note 2)

Note 1: The Consolidated Company ceased to apply the equity method from June 2021.

Note 2: Reversed in the Consolidated Financial Statements.

(III) Investment Information of Mainland China: None.

(IV) Information on Major Shareholders

Shares	Number of	Shareholding
Name of Major Shareholders	Shares Held	Ratio
Shen, Yi-tong	3,126,244	5.32%

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

XIV. Division Information

(I) General Information

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

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

The accounting policies of the operating division of the Consolidated Company are the same as the summary of significant accounting policies described in Note 4. The information of the divisional 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) Overall Information of the Company

1. Product and labor service information

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

Product and labor service	2021	2020
name		
Laptop Computer	\$ 2,629,648	2,797,609
Maintenance Services and Others	178,057	178,217
	\$ 2,807,705	2,975,826

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 customer, while non-current assets are classified on the basis of the geographical location of the asset.

Income from external customers:

Regions	2021	2020
Taiwan	\$ 2,190,524	2,152,529
Germany	383,951	485,522
Sweden	112,526	224,869
United States	60,538	78,564
Other Regions	60,166	34,342
	\$ 2,807,705	2,975,826

Non-current Assets:			
	Regions	2021.12.31	2020.12.31
Taiwan		\$ 301,514	275,609
Other Regions		-	-
		\$ 301,514	275,609

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 Customer Information

Customer Name	2021		2020	
	Amount	% to Operating Income	Amount	% to Operating Income
Roda Computer GmbH	\$ 376,504	13.41	485,522	16.32

Accountants' Audit Report

To the Board of Directors of Mildef Crete Inc.

Opinion

We have audited balance sheets of Mildef Crete Inc. as of December 31, 2021 and 2020, as well as statements of comprehensive income, changes in equity and cash flows for 2021 and 2020 from January 1 to December 31, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned standalone 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, 2021 and 2020, its financial performance and cash flow for the periods from January 1 to December 31, 2021 and 2020.

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 standalone financial statements of Mildef Crete Inc. for the year 2021. 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, lifecycle 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.

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 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 level of assurance, but is not a guarantee that a material misstatement will be always detected in an audit conducted in accordance with the generally accepted auditing standards 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 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. We also:

1. Identify and assess the risks of material misstatement of the standalone 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 an 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.
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. 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 presentation, structure and content of the consolidated financial statements, including related notes, and whether the standalone 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 the invested companies by equity method to express an opinion on the standalone 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 those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year 2021 and are therefore the key audit matters. 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

Accountant:

Wei-Ming Shi, Mei-Yan Chen

Competent Securities Authority's
Approval Document No.
March 17, 2022

Jin Guan Zheng Liu Zi No.0950103298
(88) Tai Cai Zheng (Liu) No.18311

Mildef Crete Inc.

Balance Sheets

For Years 2021 and 2020 Ended on December 31, 2020

Unit: In Thousands of New Taiwan Dollars

Assets		110.12.31		109.12.31				110.12.31		109.12.31			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Liabilities and equity							
Current liabilities:						Current liabilities:							
1100	Cash and cash equivalents (Note 6 (1))	\$	445,347	15	313,124	14	2130	Contract liabilities - current (Notes 6 (15) and 7)	\$	263,911	9	222,333	10
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))		120,065	4	120,035	5	2150	Notes payable		21,810	1	43,810	2
1150	Net notes receivable (Note 6 (3) (15))		65,356	2	23,353	1	2170	Accounts payable (Note 7)		113,295	3	104,049	4
1180	Accounts receivable - related parties (Note 6 (3) (15) and (7))		6,376	-	163,116	7	2209	Accrued expenses (Note 6 (16))		107,661	4	108,052	5
130X	Inventories (Note 6 (4))		930,250	33	875,136	39	2220	Other payables-related party (Note 7)		-	-	900	-
1476	Other financial assets - current (Note 6 (1))		246,020	8	255,020	11	2230	Current income tax liabilities		54,074	2	45,573	2
1479	Other current assets		18,260	1	15,808	1	2280	Lease liabilities-current (Note 6 (9))		19,598	1	16,834	1
	Total current assets		1,831,674	63	1,765,592	78	2399	Other current liabilities		391	-	352	-
Non-current assets:						Total							
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))		724,022	25	23,431	1	Non-current liabilities:						
						2552	Provisions for warrant liabilities (Note 6 (10))		4,535	-	7,796	-	
1550	Investments accounted for using the equity method (Note 6 (5))		26,289	1	159,339	7	2570	Deferred income tax liabilities (Note 6 (12))		137,055	5	49,271	2
1600	Property, plant and equipment (Notes 6 (6) and 7)		220,590	8	221,944	10	2580	Lease liabilities-non-current (Note 6 (9))		14,221	-	4,219	-
1755	Right-of-use assets (Note 6 (7))		33,816	1	20,948	1	2640	Net defined benefit liabilities-non-current (Note 6 (11))		52,983	2	57,819	3
1780	Intangible assets (Note 6 (8))		7,765	-	4,114	-	Total non-current liabilities						
1840	Deferred income tax assets (Note 6 (12))		66,544	2	65,388	3	Total						
1900	Other non-current assets (Note 8)		5,051	-	4,855	-	Equity (Notes 6 (2) and (13)):						
	Total non-current assets		1,084,077	37	500,019	22	3100	Share capital		586,855	20	586,855	26
						3200	Capital surplus		72,650	2	72,650	3	
						3300	Retained earnings		1,361,658	47	990,039	44	
						3400	Other equity		105,054	4	(44,941)	(2)	
						Total equity							
						Total liabilities and equity							
Total		\$	2,915,751	100	2,265,611	100	\$ 2,915,751 100 2,265,611 100						

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

Chairman: Shen-Yi Tung

Manager: Shen-Yi Tung

Accounting Manager: Liu-Yaping

Mildef Crete Inc.
Statements of Comprehensive Income
From January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (15) and 7)	\$ 2,807,558	100	2,975,826	100
5000	Operating costs (Notes 6 (3) (4) (6) (7) (8) (10) (11) (16), 7 and 12)	2,217,965	79	2,318,721	78
	Gross operating profit	589,593	21	657,105	22
5910	Minus: Realized gain from sales	(4,488)	-	(1,636)	-
	Realized gross operating profit	594,081	21	658,741	22
	Operating expenses (Notes 6 (6) (7) (8) (9) (11) (16), 7 and 12)				
6100	Selling and marketing expenses	182,778	6	190,601	6
6200	General and administrative expenses	42,356	2	43,141	1
6300	Research and development expenses	65,491	2	72,224	3
	Total operating expenses	290,625	10	305,966	10
	Net operating profit	303,456	11	352,775	12
	Non-operating income and expenses:				
7100	Interest income (Note 6 (17))	8,233	-	8,155	-
7010	Other income (Note 6 (9) and (17))	10,456	-	10,814	-
7020	Other gains and losses (Note 6 (17) and (18))	(5,371)	-	(9,858)	-
7375	Share of the profit of subsidiaries and associates accounted for using the equity method (Note 6 (5))	(17,800)	-	49,734	2
7225	Gains on disposal of investments (Note 6 (5))	496,607	18	-	-
7510	Finance costs (Note 6 (9) and (17))	(304)	-	(334)	-
	Total non-operating income and expenses	491,821	18	58,511	2
	Net profit before tax	795,277	29	411,286	14
7950	Minus: Income tax expense (Note 6 (12))	157,085	6	88,014	3
	Current net profit	638,192	23	323,272	11
8300	Other comprehensive income/(loss):				
8310	Items not reclassified as income and loss				
8311	Remeasurement of defined benefit plans (Note 6 (11) (13))	1,688	-	(5,334)	-
8316	Unrealized returns on equity investments at fair value through other comprehensive income/(loss) (Note 6 (13) (18))	166,995	6	25,838	1
8349	Minus: Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6 (12))	33,486	1	(1,066)	-
	Total amount of items not reclassified to profit or loss	135,197	5	21,570	1
8360	Items that may be reclassified subsequently to profit or loss				
8380	Amount of other comprehensive income/(loss) of affiliates accounted by equity method (Note 6 (5) (13))	14,798	-	8,605	-
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	14,798	-	8,605	-
8300	Other comprehensive income/(loss)	149,995	5	30,175	1
	Total amount of other current comprehensive gains and losses	<u>\$ 788,187</u>	<u>28</u>	<u>353,447</u>	<u>12</u>
	Earnings per share (NT\$: Note 6 (14))				
	Basic earnings per share	<u>\$ 10.87</u>		<u>5.51</u>	
	Diluted earnings per share	<u>\$ 10.72</u>		<u>5.40</u>	

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

Chairman:
Shen-Yi Tung

Manager:
Shen-Yi Tung

Accounting Manager: Liu-Yaping

Mildef Crete Inc.
Statement of Changes in Equity
From January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	Other Equity Items										
	Retained earnings						Other comprehensive income (loss) of associates recognized by equity method	Unrealized income/(loss) in financial assets at fair value through other comprehensive income/(loss)	Defined benefits Planned remeasurement	Total	Total equity
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total					
Balance on January 1, 2020	\$ 586,855	72,650	393,749	35,482	461,174	890,405	(23,403)	(12,780)	(16,092)	(52,275)	1,497,635
Current net profit	-	-	-	-	323,272	323,272	-	-	-	-	323,272
Other comprehensive income/(loss)	-	-	-	-	-	-	8,605	25,838	(4,268)	30,175	30,175
Total amount of other current comprehensive gains and losses	-	-	-	-	323,272	323,272	8,605	25,838	(4,268)	30,175	353,447
Appropriation and distribution of earnings:											
Legal reserve	-	-	27,821	-	(27,821)	-	-	-	-	-	-
Special reserve	-	-	-	16,795	(16,795)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(246,479)	(246,479)	-	-	-	-	(246,479)
Disposal of equity instruments designated at fair value through other comprehensive income/(loss)	-	-	-	-	22,841	22,841	-	(22,841)	-	(22,841)	-
Balance on December 31, 2020	586,855	72,650	421,570	52,277	516,192	990,039	(14,798)	(9,783)	(20,360)	(44,941)	1,604,603
Current net profit	-	-	-	-	638,192	638,192	-	-	-	-	638,192
Other comprehensive income/(loss)	-	-	-	-	-	-	14,798	133,847	1,350	149,995	149,995
Total amount of other current comprehensive gains and losses	-	-	-	-	638,192	638,192	14,798	133,847	1,350	149,995	788,187
Appropriation and distribution of earnings:											
Legal reserve	-	-	34,611	-	(34,611)	-	-	-	-	-	-
Special reserve reversed	-	-	-	(7,335)	7,335	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(264,085)	(264,085)	-	-	-	-	(264,085)
Changes in capital surplus from investments in associates accounted for using the equity method	-	37,626	-	-	-	-	-	-	-	-	37,626
Disposal of associates by equity method	-	(37,626)	-	-	-	-	-	-	-	-	(37,626)
Differences between equity price paid and carrying amount of subsidiaries acquired	-	-	-	-	(2,488)	(2,488)	-	-	-	-	(2,488)
Balance on December 31, 2021	\$ 586,855	72,650	456,181	44,942	860,535	1,361,658	-	124,064	(19,010)	105,054	2,126,217

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

Chairman: Shen-Yi Tung

Manager: Shen-Yi Tung

Accounting Manager: Liu-Yaping

Mildef Crete Inc.
Statement of Cash Flow
From January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income before tax	\$ 795,277	411,286
Adjustments for:		
Profit and loss		
Depreciation expense	40,950	40,976
Amortization expense	4,653	2,729
Expected credit loss	-	723
Net gain on financial assets at fair value through profit or loss	(357)	(665)
Interest expense	304	334
Interest income	(8,233)	(8,155)
Dividend income	(8,844)	(9,603)
Share of loss (profit) of associates accounted for using the equity method	17,800	(49,734)
Gain on disposal of property, plant and equipment	-	(175)
Gain on disposal of investments	(496,607)	-
Realized gain on sales of goods	(4,488)	(1,636)
Total profit/(loss)	<u>(454,822)</u>	<u>(25,206)</u>
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Increase in notes and accounts receivable	(42,003)	(3,471)
Decrease (increase) in accounts receivable from related parties	156,740	(45,460)
Increase in inventories	(55,114)	(79,004)
(Increase) decrease in other current assets	(2,452)	249
Total net changes in assets related to operating activities	<u>57,171</u>	<u>(127,686)</u>
Net changes in liabilities related to operating activities		
Increase (decrease) in contract liabilities	41,578	(9,765)
Decrease in notes payable	(22,000)	(7,416)
Increase (decrease) in accounts payable	9,246	(49,564)
(Decrease) increase in other payables - stakeholders	(900)	418
(Decrease) increase in provisions for warranty liabilities	(3,261)	1,200
(Decrease) increase in payables and other current liabilities	(352)	9,841
Decrease in net defined benefit liabilities	(3,148)	(2,683)
Total amount of net changes in liabilities related to operating activities	<u>21,163</u>	<u>(57,969)</u>
Total amount of net changes in assets and liabilities related to operating activities	<u>78,334</u>	<u>(185,655)</u>
Total adjustments	<u>(376,488)</u>	<u>(210,861)</u>
Net cash generated from/(used in) operations	418,789	200,425
Interest received	8,233	8,155
Income tax paid	(95,442)	(77,022)
Net cash inflow from operating activities	<u>331,580</u>	<u>131,558</u>
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	-	67,136
Purchase of financial assets at fair value through profit or loss	(330,000)	(260,000)
Disposal of financial assets at fair value through profit or loss	330,327	269,870
Disposal of investments accounted for using the equity method	77,185	-
Acquisition of property, plant and equipment	(12,991)	(13,055)
Disposal of property, plant and equipment	-	295
Increase in other non-current assets	(196)	(8)
Acquisition of intangible assets	(8,304)	(2,308)
Decrease in other financial assets	9,000	-
Dividends received (including associates)	33,574	18,476
Net cash inflow from investing activities	<u>98,595</u>	<u>80,406</u>
Cash flows from financing activities:		
Payment of the principal portion of lease liabilities	(26,706)	(26,283)
Payments of cash dividends	(264,085)	(246,479)
Non-controlling interests gained from subsidiaries	(6,857)	-
Interests paid	(304)	(334)
Net cash outflow of financing activities	<u>(297,952)</u>	<u>(273,096)</u>
Increase (decrease) in cash and cash equivalents	132,223	(61,132)
Opening balance of cash and cash equivalents in the consolidated statements of cash flows	313,124	374,256
Closing balance of cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 445,347</u>	<u>313,124</u>

(Please refer to the Notes to the Parent Company Only Financial Statements attached)

Chairman: Shen Yi-tong

Manager: Shen Yi-tong

Accounting Supervisor: Liu Ya-ping

Mildef Crete Inc.
Notes to Parent Company Only Financial Statements
2021 and 2020

(Unless otherwise stated, all amounts are expressed in NTD thousand)

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 the research, design, planning, manufacturing, sales, import and export trade business of various computer software and hardware and its components, the manufacturing and installation of related computer software and hardware combination and consulting services thereof, and the reinvestment to related businesses.

II. Date and Procedures for the Approval of Financial Statements

This parent company only financial report was adopted and issued by the Board of Directors on March 17, 2022.

III. Applicability of Newly Issued and Revised Standards and Interpretations

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

The following newly amended International Financial Reporting Standards (IFRS) were applied by the Company from January 1, 2021 and did not have a significant impact on the parent company only financial statements.

- Amendment to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Change of Interest Rate Indicator - Phase 2"

The following newly amended International Financial Reporting Standards (IFRS) were applied by the Company from April 1, 2021, and did not have a significant impact on the parent company only financial statements.

- Amendment to IFRS 16 "Covid-19-Related Rent Concessions after June 30, 2021"

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

The Company assesses that the application of the following newly amended International Financial Reporting Standards, effective January 1, 2022, will not have a significant impact on the parent company only financial statements.

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

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

(III) Newly issued and revised standards and interpretations not yet endorsed by the FSC

Standards and interpretations issued and amended by the IASB but not yet endorsed by the FSC that may be relevant to the Company are as follows:

Newly issued or revised standards	Major revisions	Effective date of issuance by the IASB
Amendment to IAS 1 "Classification of liabilities as current or non-current"	<p>The amendments to the provisions are intended to enhance consistency in the application of the standard to assist an enterprise in determining whether a debt or other liability on an uncertain settlement date should be classified as current (due or likely to be due within one year) or non-current in the balance sheet.</p> <p>The amendments to the provisions also clarify the classification of debt that an enterprise may settle by converting to equity.</p>	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Investment of Assets between Investors and Their Associates or Joint Ventures"
- IFRS 17 "Insurance Contracts" and amendment to IFRS 17
- Amendment to IAS 1 "Disclosure of Accounting Policies"
- Amendment to IAS 8 "Definitions of Accounting Estimates"
- Amendment to IAS 12 "Deferred Income Tax Related to Assets and Liabilities Arising from a Single Transaction"

IV. Summarized Remarks on Significant Accounting Policies

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

(I) Statement of Compliance

This parent company only financial report 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 of the balance sheet, this parent company

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

only financial report is prepared on the basis of historical cost:

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

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

2. Functional Currency and Expression Currency

The Company uses the currency of the main economic environment in which it operates as its functional currency. This parent company only financial statements are expressed in the functional currency of the Company - NTD. Unless otherwise stated, all financial information expressed in NTD is expressed in NTD thousand.

(III) Foreign Currencies

1. Foreign Currency Transactions

Foreign currency transactions are converted into functional currency 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 prevailing on that date. Foreign currency non-monetary items measured at fair value are converted into functional currency at the exchange rate on the date when the fair value is measured, while foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction.

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

2. Foreign operating institutions

Assets and liabilities of foreign operating institutions, including goodwill and fair value adjustments arising at the time of acquisition, are translated into currencies presented in the parent company only financial statements at the exchange rate prevailing 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 impact, the accumulated exchange difference related to the foreign operating institution shall be fully reclassified to profit or loss. When a portion of the disposal includes investments in associates of foreign operating institutions, the relevant accumulated exchange difference shall be classified proportionally into profit and loss.

(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 all other assets that are not current assets are classified as non-current assets:

1. is expected to be realized in the ordinary course of the Company's business cycle, or is intended to be sold or consumed.
2. Held primarily for trading purposes.
3. Expected to be achieved within 12 months after the reporting period.

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

4. Cash or cash equivalents, excluding those subject to other restrictions for which liabilities have been swapped or settled for more than 12 months after the reporting period.

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

1. is expected to be settled in the ordinary course of the Company's business cycle.
2. Held primarily for trading purposes.
3. Those repayment due in 12 months after the reporting period.
4. The Company cannot unconditionally extend the settlement period to the liabilities that have been settled for more than 12 months after the reporting period.

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

(V) 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.

(VI) Financial Instruments

Accounts receivable are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the terms of the financial instrument 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 Company reclassified all affected financial assets from the first day of the next reporting period when the operating model of the managed financial assets was changed only.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet both of the following conditions and are not designated at fair value through profit or loss:

- These financial assets are held in an operating mode 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.

These financial assets are measured at amortized cost less impairment loss using the effective interest rate method after initial recognition. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. When derecognized, the accumulated profit or loss is recognized in profit or loss.

(2) Financial Assets at Fair Value through Other Comprehensive Profit or Loss

At the time of initial recognition, the Company may make an irrevocable choice to report the subsequent changes in fair value of equity instrument

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

investments not held for trading in other comprehensive income. The aforementioned choice is 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. The remaining net profit or loss is recognized in other comprehensive profit or loss, and when de-recognized, the other comprehensive profit or loss accumulated under equity shall be reclassified to retained earnings but not 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).

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

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

Financial assets other than those aforementioned that measured at amortized cost or at fair value through other comprehensive profit or loss, are measured at fair value through profit or loss, including derivative financial assets. In order to eliminate or materially reduce the inappropriate accounting ratios at the time of initial recognition, the Company irrevocably designates financial assets that meet the conditions for measurement at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

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

In evaluating whether the contractual cash flow is exclusively for the payment of principal and interest on the outstanding principal amount, the Company considers the contractual terms of the financial instrument, including the evaluation of whether the financial asset contains a contractual term that changes the point in time or the amount of the contractual cash flow, resulting in its inability to meet this condition. At the time of the evaluation, 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. no recourse features).

(5) Impairment of financial assets

The Company recognizes loss allowance on expected credit losses on 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 12-month expected credit losses, and the rest are measured at the

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

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 for accounts receivable is measured based on the amount of lifetime expected credit losses.

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

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

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

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

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

When the Company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total carrying amount of its financial assets. The Company separately analyses the point in time and the amount written off on the basis of whether it is reasonably expected to be recoverable. The Company does not expect a material reversal of the written-off amounts. However, written-off financial assets remain enforceable to comply with the Company's procedures for the recovery of overdue amounts.

(6) De-recognition of financial assets

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

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

2. Financial Liabilities

(1) Financial Liabilities

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

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method. Interest expense and exchange gains and losses are recognized in profit or loss. Any gains or losses at the time of derecognition are also recognized in profit or loss.

(2) De-recognition of financial liabilities

The Company derecognizes financial liabilities when contractual obligations

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

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.

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 when financial liabilities are de-recognized.

(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 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.

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

(VII) Inventories

The original cost of inventories is the necessary expense to bring the inventories to the state and location in which they are available for sale or production. The fixed production overheads are amortized into finished products and works in process according to the normal production capacity of the production equipment, while the variable production overheads are amortized based on the actual production amount. Thereafter, the cost is measured by the monthly weighted average method as the lower of cost and net realized value, while net realized value is calculated on the basis of the estimated selling price under normal business conditions at the balance sheet date less the remaining costs of completion and selling expenses.

(VIII) Investment in Associates

Associates are those whose financial and operational policies are significantly influenced by the Company, but that are not controlling or jointly controlling.

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

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

Unrealized gains and losses arising from transactions between the Company and associates are recognized in the enterprise financial statements only to the extent of the equity of non-related party investors in associates. The Company ceases using the equity method from the date when its investment ceases to be an associate and retains its equity at fair value. The fair value of the retained equity and the difference between the disposal price and the carrying amount of the investment at the date when the equity method is discontinued are recognized in profit or loss for the current period. For all amounts previously recognized in other comprehensive profit or loss relating to the investment, the basis of accounting treatment is the same as that required to be complied with by the associate for the direct disposal of the relevant asset or liability, i.e., if the gain or loss previously recognized in other comprehensive profit or loss is reclassified to profit or loss at the time of the disposal of the relevant asset or liability, such gain or loss is reclassified from equity to profit or loss when the enterprise discontinues the equity method. If the Company's

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

ownership interest in an associate is reduced but the equity method continues to be applied, the Company will reclassify the gain or loss previously recognized in other comprehensive income related to the reduction of the ownership interest and adjust according to the reduction ratio in the above manner.

(IX) Investment in subsidiaries

At the time of preparing the parent company only financial statements, the Company uses the equity method to evaluate the controlling investee. Under the equity method, the profit or loss and other comprehensive income of the parent company only financial statements for the current period and the profit or loss and other comprehensive income in the financial statements prepared on a consolidated basis for the current period are attributable to the owners of the parent company with the same number of amortizations, and the equity of the owners in the parent company only financial statements is the same as the equity attributable to the owners of the parent company in the financial statements prepared on a consolidated basis.

Changes in the Company's ownership interests in subsidiaries that do not result in the loss of control are treated as equity transactions with owners.

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

(X) Property, Plant, and Equipment

1. Recognition and measurement

Property, plant and equipment are 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 it is probable that their future economic benefits will flow to the Company.

3. Depreciation

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

Except for the fact that the land is not depreciated, the estimated useful lives of the other assets in the current period and the comparative period are as follows:

- (1) Houses and buildings: 40 years.
- (2) Machinery and equipment: 5 ~ 8 years.
- (3) Transport 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.

(XI) Leases

The Company evaluates whether a contract is a lease or includes a lease as of the date of its conclusion, and if a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or includes a lease.

Lessee

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 initially at cost, which includes the original measurement amount of the lease liability, adjusting any lease payments made on or before the commencement date of the lease, adding the original direct costs incurred and the estimated costs of dismantling or removing the targeted assets and 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,

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

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 measured initially at the present value of outstanding lease payments at the commencement date of the lease. If the implied interest rate on 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 used. In general, the Company adopts the incremental borrowing rate of interest as the discount rate.

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

Lease payments included in the measurement of lease liabilities include:

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1. There is a change in future lease payments arising from the change in an index or rate;
2. There is a change of its assessment on whether it will exercise an extension or termination option, and the evaluation of the lease period shall be changed;
3. Modification of the subject, scope, or other terms of the lease.

When a lease liability is remeasured as a result of the aforementioned change in the index or rate used to determine the lease payments and the change in evaluation of the option to extend or terminate, 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 reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect partial or total termination of the lease, and the difference between it and the remeasured 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 and recognized the relevant lease payments as expenses on a straight-line basis over the lease term.

The Company chooses to adopt a practical expedient approach to evaluate whether the rent reductions of all lease access door market are lease modifications that meet the following conditions:

1. Rent concession as a direct result of the COVID-19 pandemic;
2. The revised consideration for the lease resulting from the change in lease payments is approximately the same as or lesser than the consideration for the lease prior to such change;
3. Any decrease in lease payments only affects the payments that were due prior to December 31, 2021; and
4. The other terms and conditions of the lease remain unchanged in substance.

Under the practical expedient approach, the amount of change is recognized in profit or loss in case of occurrence of an event or circumstance triggering the rent concession that results in a change in lease payments.

(XII) Intangible Assets

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

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

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

(XIII) Impairment of non-financial assets

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

The recoverable amount is the higher of the individual asset fair value or cash-generating units less the cost of sale and the value of their use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount of such individual asset or cash-generating unit will be adjusted to the recoverable amount and will be recognized as an impairment loss. 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 as an impairment loss in prior years.

(XIV) Provision for Liability

The provision for liabilities is recognized as a present obligation due to past events, which makes it 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 guarantee 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.

(XV) Income from Customers' Contracts

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

1. Sales of Goods - Rugged Computers

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

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

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

2. Sale of goods -commercial laptops

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

3. Labor Service Income

The Company provides customers with laptop repair services and recognizes the related revenue 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 customer within one year of the point in time when the customer pays for such goods or services.

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

(XVI) Employee Benefits

1. Defined Contribution Plans

Determine that the obligation to make a contribution for a retirement benefit plan is recognized as an expense during the period in which the employee renders service.

2. Defined Benefits Plans

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

(XVII) Income Tax

Income tax includes current and deferred income tax. Income tax and deferred income tax for the period are recognized in profit or loss, except for items that are merged with an enterprise and are recognized directly in equity or other comprehensive profit or loss.

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

Current income tax includes estimated income tax payable or tax refundable based on taxable income (loss) for the current year, and any adjustments to income tax payable or tax refundable for prior years.

Deferred income tax is measured and recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax is not recognized for temporary differences arising under the following circumstances:

1. assets or liabilities initially recognized in the transaction that are not part of the business combination and do not affect accounting profit and taxable income (loss) at the time of the transaction;
2. temporary differences arising from investments in subsidiaries, associates and joint venture interests, and the Company may control the point in time at which temporary differences are reversed and is likely not to reverse in the foreseeable future; and
3. Taxable temporary differences arising from the initial recognition of goodwill.

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

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 likely to be available. In addition, it shall be re-evaluated at each reporting date to reduce the relevant income tax benefit to the extent that it is not likely to be realized; or to reverse the previously reduced amount to the extent that it is likely 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 substantive legislative tax rate as 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. There is a statutory power of execution to offset the current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities relate to one of the following taxable entities subject to income tax levied by the same tax authorities;
 - (1) The same taxable entity; or
 - (2) Different taxable entities, provided that each entity intends to settle the current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period of expected recovery of deferred tax assets and expected settlement of deferred tax liabilities to a material amount.

(XVIII) Earnings Per Share

The Company presents the 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 shall be attributed to the profit or loss of the common shareholders of the Company and the weighted average number of common shares outstanding, and 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.

(XIX) Division Information

The Company has disclosed department information in the consolidated financial statements and therefore the parent company only financial statements do not disclose department information.

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

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

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

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

For the uncertainty of assumptions and estimates, 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, and 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 sometimes needs to establish longer-term inventories of some key components, but future demand is likely to change. The Company evaluates the amount of inventories as of the reporting date due to obsolescence or below the market selling value, and writes off the cost of inventories to the net realizable value. This inventory valuation is based primarily on estimates of goods demand over a specified period in the future and, therefore, might be subject to significant changes. For details on inventory valuation, please refer to Note 6 (4). For details on inventory valuation, please refer to Note 6 (4).

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

VI. Explanation on Important Accounting Items

(I) Cash and Cash Equivalents

	2021.12.31	2020.12.31
Cash On Hand	\$ 372	378
Cheques and Demand Deposits	444,975	312,746
	<u>\$ 445,347</u>	<u>313,124</u>

As of December 31, 2021, and December 31, 2020, the time deposits of the Company in the bank, with original maturity over three(3) months, counted NTD 246,020,000 and NTD 255,020,000 respectively, which were included under other financial assets - current.

(II) Financial Instruments

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

	2021.12.31	2020.12.31
Monetary Fund	<u>\$ 120,065</u>	<u>120,035</u>

For details on the amount remeasured at fair value and recognized in profit or loss, please refer to Note 6 (17).

2. Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss — Non-current

Equity Instrument Investments Measured at Fair Value through Other Comprehensive Profit or Loss:

	2021.12.31	2020.12.31
Unlisted (OTC-listed) Company Shares	\$ 24,683	23,431
Foreign-listed Company Shares	699,339	-
Total	<u>\$ 724,022</u>	<u>23,431</u>

In June 2021, Mildef Group AB, an affiliated enterprise invested under the equity method, disposed of a portion of its shares and realized the sale of investment profit amounted to TWD 32,622,000. In addition, Mildef Group AB completed its initial public offering of shares, and went listed on the Nasdaq Stockholm Stock Exchange in Sweden. The Company's shareholding ratio decreased to 12.23% due to the aforementioned disposition and posted IPO offering. The equity method was discontinued upon assessment that it no longer had a significant influence on the Company. The difference between the measured at fair value and the book value of the investments under the equity method was recognized. The investment profit amounted to NTD 463,985,000, and the remaining shareholdings were converted to non-current financial assets measured at fair value through other comprehensive profit or loss, which amounted to NTD -533,596,000.

The Company holds the above equity instrument investments as long-term

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

strategic investments, and is not held for trading purposes. Therefore, it is recognized for measurement at fair value through other comprehensive income.

In October 2020, the Company sold some of the shares of the above-mentioned unlisted (OTC-listed) company. The fair value at disposal amounted to NTD 67,136,000, and the total accumulated disposal profit amounted to NTD 22,841,000. The aforementioned accumulated disposal profit was transferred from other equity to retained earnings.

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

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

	2021.12.31			2020.12.31		
	Foreign Currencies	Currency Exchange Rate	NTD	Foreign Currencies	Currency Exchange Rate	NTD
EUR	\$ 756	31.32	23,683	640	35.02	22,431
SEK	227,798	3.07	699,339	-		-

3. For details on market risk information, please refer to Note 6 (19).

(III) Notes and Accounts Receivable (including related party)

	2021.12.31	2020.12.31
Notes and Accounts Receivable	\$ 66,079	24,076
Accounts receivable - related parties	6,376	163,116
Less: loss allowance	(723)	(723)
	\$ 71,732	186,469

The Company applies a simplified approach to the estimate of expected credit losses for all notes and accounts receivable, 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:

	2021.12.31		
	Carrying Amount of Notes and Accounts Receivable	Weighted Average Expected Credit Loss Ratio	Provision for Expected Ongoing Credit Losses
Not Overdue	\$ 71,732	0.0000%	-
Overdue for More than 365 Days	723	100%	723
	\$ 72,455		723

	2020.12.31		
	Carrying Amount of Notes and Accounts Receivable	Weighted Average Expected Credit Loss Ratio	Provision for Expected Ongoing Credit Losses
Not Overdue	\$ 186,469	0.0000%	-
Overdue for More than 91 Days	723	100%	723
	\$ 187,192		723

The statement of changes in the provision for impairment losses on notes and accounts receivable of the Company is as follows:

	2021	2020
Opening Balance	\$ 723	-

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

Provision for the Current Period	-	723
Closing Balance	<u>\$ 723</u>	<u>723</u>

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

(IV) Inventories

	2021.12.31	2020.12.31
Goods	\$ 120,009	143,987
Finished Goods	1,433	383
Semi-finished Goods	198,774	99,300
Work in Process	148,208	186,291
Raw Material	461,826	445,175
	<u>\$ 930,250</u>	<u>875,136</u>

The inventory cost recognized as the cost of goods sold in FY2021 and FY2020 amounted to NTD 2,202,783,000 and NTD 2,291,292,000, respectively. In FY2021 and FY2020, due to the offset of inventories to net realized value at the end of the period, the recognized inventory falling price loss amounted to NTD 15,182,000 and NTD 27,429,000, respectively, which were included under operating costs.

(V) Investment Accounted for Using Equity Method

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

	2021.12.31	2020.12.31
Subsidiaries	\$ 26,289	21,982
Associated Enterprises	-	137,357
	<u>\$ 26,289</u>	<u>159,339</u>

1. Subsidiaries

Please refer to the 2021 Consolidated Financial Statement.

2. Associated Enterprises

The Company does not have individual significant affiliated enterprises. Therefore, based on the share of (losses) gains of affiliated enterprises enjoyed by the Company, it is summarized as follows:

	2021	2020
Net Profit (Loss) for the Current Period	\$ (24,862)	42,127
Other Comprehensive Profit or Loss	-	8,605
Total Comprehensive Profit or Loss	<u>\$ (24,862)</u>	<u>50,732</u>

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

In June 2021, Mildef Group AB, an affiliated enterprise invested under the equity method, disposed a portion of its shares and realized the sale of investment benefits amounted to NTD 32,622,000. In addition, Mildef Group AB completed the initial

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

public offering of shares and went listed on the Nasdaq Stockholm Stock Exchange in Sweden. The aforementioned disposition and post IPO listing of shares resulted in the decrease of the shareholding ratio of the Company to 12.23%. Through assessment, the Company no longer had a significant influence on the affiliated enterprise. Therefore, the equity method was discontinued, and fair value was adopted for measurement. The difference between the measured at fair value and the book value of the investments under the equity method was recognized as investment benefits of the disposal, which amounted to NTD 463,985,000. The remaining shareholdings were converted to financial assets at fair value through other comprehensive income- - non-current.

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

(VI) Property, Plant, and Equipment

	Land	Houses and Buildings	Machinery and Equipment	Transportation Facilities	Office Equipment	Other Equipment	Total
Cost:							
Balance as of January 1, 2021	\$ 147,478	70,493	55,531	4,542	596	62,271	340,911
Additions	-	1,806	2,217	1,500	-	7,468	12,991
Balance as of December 31, 2021	<u>\$ 147,478</u>	<u>72,299</u>	<u>57,748</u>	<u>6,042</u>	<u>596</u>	<u>69,739</u>	<u>353,902</u>
Balance as of January 1, 2020	\$ 147,478	70,493	53,065	5,305	176	53,056	329,573
Additions	-	-	2,466	854	420	9,315	13,055
Disposals	-	-	-	(1,617)	-	(100)	(1,717)
Balance as of December 31, 2020	<u>\$ 147,478</u>	<u>70,493</u>	<u>55,531</u>	<u>4,542</u>	<u>596</u>	<u>62,271</u>	<u>340,911</u>
Accumulated Depreciation:							
Balance as of January 1, 2021	\$ -	23,072	44,560	2,565	201	48,569	118,967
Depreciation for the Current Year	-	1,752	2,715	1,034	42	8,802	14,345
Balance as of December 31, 2021	<u>\$ -</u>	<u>24,824</u>	<u>47,275</u>	<u>3,599</u>	<u>243</u>	<u>57,371</u>	<u>133,312</u>
Balance on January 1, 2020	\$ -	21,345	41,736	3,284	176	39,315	105,856
Depreciation for the Current Year	-	1,727	2,824	779	25	9,353	14,708
Disposals	-	-	-	(1,498)	-	(99)	(1,597)
Balance as of December 31, 2020	<u>\$ -</u>	<u>23,072</u>	<u>44,560</u>	<u>2,565</u>	<u>201</u>	<u>48,569</u>	<u>118,967</u>
Carrying Amount:							
December 31, 2021	<u>\$ 147,478</u>	<u>47,475</u>	<u>10,473</u>	<u>2,443</u>	<u>353</u>	<u>12,368</u>	<u>220,590</u>
January 1, 2020	<u>\$ 147,478</u>	<u>49,148</u>	<u>11,329</u>	<u>2,021</u>	<u>-</u>	<u>13,741</u>	<u>223,717</u>
December 31, 2020	<u>\$ 147,478</u>	<u>47,421</u>	<u>10,971</u>	<u>1,977</u>	<u>395</u>	<u>13,702</u>	<u>221,944</u>

(VII) Assets with Right-of-use

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

	Houses and Buildings
Cost of Assets with Right-of-use:	
Balance as of January 1, 2021	\$ 72,299
Additions	39,303
Lease Modification	170
Disposals	(1,544)
Balance as of December 31, 2021	<u>\$ 110,228</u>
Balance on January 1, 2020	\$ 53,003
Additions	26,543
Lease Modification	(6,123)
Disposals	(1,124)
Balance as of December 31, 2020	<u>\$ 72,299</u>
Accumulated Depreciation of Assets with Right-of-use:	
Balance as of January 1, 2021	\$ 51,351

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

Depreciation in the Current Period	26,605
Disposals	<u>(1,544)</u>
Balance as of December 31, 2021	<u>\$ 76,412</u>

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

	Houses and Buildings
Balance on January 1, 2020	\$ 26,207
Depreciation in the Current Period	26,268
Disposals	<u>(1,124)</u>
Balance as of December 31, 2020	<u>\$ 51,351</u>
Carrying Amount:	
December 31, 2021	<u>\$ 33,816</u>
December 31, 2020	<u>\$ 20,948</u>

(VIII) Intangible Assets

	Computer Software
Cost:	
Balance as of January 1, 2021	\$ 26,475
Additions in the Current Period	<u>8,304</u>
Balance as of December 31, 2021	<u>\$ 34,779</u>
Balance on January 1, 2020	\$ 24,167
Additions in the Current Period	<u>2,308</u>
Balance as of December 31, 2020	<u>\$ 26,475</u>
Accumulated Amortization:	
Balance as of January 1, 2021	\$ 22,361
Amortization in the Current Period	<u>4,653</u>
Balance as of December 31, 2021	<u>\$ 27,014</u>
Balance on January 1, 2020	\$ 19,632
Amortization in the Current Period	<u>2,729</u>
Balance as of December 31, 2020	<u>\$ 22,361</u>
Carrying Amount:	
Balance as of December 31, 2021	<u>\$ 7,765</u>
Balance on January 1, 2020	<u>\$ 4,535</u>
Balance as of December 31, 2020	<u>\$ 4,114</u>

Amortization expenses of intangible assets in 2021 and 2020 that are included under the consolidated statements of comprehensive income:

	2021	2020
Operating Costs	\$ 199	13
Operating Expenses	<u>4,454</u>	<u>2,716</u>
Total	<u>\$ 4,653</u>	<u>2,729</u>

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

(IX) Lease Liabilities

Book value of the Company's lease liabilities is as follows:

	2021.12.31	2020.12.31
Current	\$ 19,598	16,834
Non-current	\$ 14,221	4,219

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

The amount recognized in profit or loss is as follows:

	2021	2020
Interest expense on lease liabilities	\$ 278	334
Short-term lease expense	\$ 171	49
COVID-19-related rent concessions are recognized and included under other income. For details, please refer to Note 6 (17).	\$ 432	344

Amounts recognized and included under the cash flow statement are as follows:

	2021	2020
Total cash outflows from leases	\$ 27,155	26,666

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

(X) Provision for Liability

	Warranty
Balance as of January 1, 2021	\$ 7,796
Liability provisions added in the current period	933
Liability provisions used in the current period	(4,194)
Balance as of December 31, 2021	\$ 4,535
Balance as of January 1, 2020	\$ 6,596
Liability provisions added in the current period	6,112
Liability provisions used in the current period	(4,912)
Balance as of December 31, 2020	\$ 7,796

The Company's provisions for warranty liabilities in FY2021 and FY2020 are mainly related to computer sales. The provision for warranty liabilities is estimated based on the historical warranty data of the goods sold. The Company expects that most of the liabilities will occur successively in 1 - 2 years after the sale.

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

(XI) Employee Benefits

1. Defined Benefits Plans

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

	2021.12.31	2020.12.31
Present value of defined benefit obligations	\$ 110,774	114,583
Fair value of planned assets	(57,791)	(56,764)
Net liabilities of defined benefit	\$ 52,983	57,819

The Company's defined benefit plan is a special reserve for employee retirement appropriated to the Bank of Taiwan. The payment of an employee's retirement benefit is calculated based on the base number upon the length of service and the average salary for the six months preceding 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, 2021, and December 31, 2020, the balances of the Company's employee retirement reserve at the Bank of Taiwan accounted for NTD 57,791,000 and NTD 56,764,000, 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 Funds.

(2) Changes in the present value of defined benefit obligations

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

	2021	2020
Defined benefit obligations as of January 1	\$ 114,583	106,183
Current Service Cost	276	473
Interest Cost	711	1,187
Retirement Benefits Paid - Special Account for Employee Retirement Reserve	(3,708)	-
Net Remeasurement of Defined Benefit Liabilities		
- Actuarial losses (gains) arising from	(3,398)	991

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

adjustments based on experience		
- Actuarial losses (gains) arising from changes in financial assumptions	-	5,749
- Actuarial losses (gains) arising from changes in demographic assumptions	<u>2,310</u>	<u>-</u>
Defined benefit obligations as of December 31	<u>\$ 110,774</u>	<u>114,583</u>

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

(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:

	2021	2020
Fair Value of Planned Assets as of January 1	\$ 56,764	51,015
Amount Allocated to Plan	3,745	3,706
Interest Income	390	637
Amount of Retirement Fund Paid	(3,708)	-
Net Remeasurement of Defined Benefit Liabilities		
- Return on planned assets (excluding current interest)	600	1,406
Fair Value of Planned Assets as of December 31	<u>\$ 57,791</u>	<u>56,764</u>

(4) Changes in Cap Asset Effects

The Company had no cap asset effect change in the 2021 defined benefit plan and the 2020 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:

	2021	2020
Current Service Cost	\$ 276	473
Interest on Net Defined Benefit Liabilities	321	550
	<u>\$ 597</u>	<u>1,023</u>
Operating Costs	\$ 191	465
Operating Expenses	406	558
	<u>\$ 597</u>	<u>1,023</u>

(6) Actuarial Assumptions

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

	2021.12.31	2020.12.31
Discount Rate	0.625%	0.625%
Future Salary Increase Rate	3.00%	3.00%

The expected appropriation paid by the Company to the defined benefit plan within one year after December 31, 2021 amounted to NTD 3,737 thousand.

The weighted average duration of defined benefit plans is 13.65 years.

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

(7) Sensitivity Analysis

As of December 31, 2021, and December 31, 2020, the book amount of the net defined benefit liabilities of the Company amounted to NTD 52,983,000 and NTD 57,819,000, respectively. When the adopted discount rate and employee salary adjustment rate increased or decreased by 0.25%, the changes in the present value of the defined benefit obligations of the Company as of December 31, 2021, and December 31, 2020 are as follows:

	2021.12.31			
	Discount Rate		Compensation Rate	
	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	(2,638)	2,749	2,634	(2,546)

	2020.12.31			
	Discount Rate		Compensation Rate	
	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	(2,935)	3,056	2,929	(2,830)

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 retirement benefit liabilities on the balance sheet.

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

2. Defined Contribution Plans

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

Under the defined pension appropriation method, the pension expenses for FY2021 and FY2020 amounted to NTD 10,373,000 and NTD 10,653,000, respectively.

(XII) Income Tax

1. Income Tax Expenses

The details of income tax expenses of the Company for FY2021 and FY2020 are

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

as follows:

	<u>2021</u>	<u>2020</u>
Income Tax Expenses in the Current Period		
Incurred in the Current Period	\$ 100,024	81,336
Adjustment of Current Income Tax Incurred in the Preceding Period	<u>3,919</u>	<u>540</u>
	<u>103,943</u>	<u>81,876</u>
Deferred Income Tax Expenses		
Occurrence and Reversal of Temporary Difference	<u>53,142</u>	<u>6,138</u>
Income Tax Expenses	<u><u>\$ 157,085</u></u>	<u><u>88,014</u></u>

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

Details of income tax expenses recognized and included under other comprehensive profit or loss are as follows:

	2021	2020
Actuarial Gains (Losses) of Defined Benefit Plan	\$ 338	(1,066)
Financial Assets at Fair Value through Other Comprehensive Profit or Loss	<u>33,148</u>	<u>-</u>
Total	<u>\$ 33,486</u>	<u>(1,066)</u>

Adjustments between the income tax expenses in FY2021 and FY2020 and the net pre-tax profit of the Company are as follows:

	2021	2020
Net profit before tax	<u>\$ 795,277</u>	<u>411,286</u>
Income tax calculated based on the domestic tax rate of the Company	\$ 159,055	82,257
Effects of tax rate difference in foreign jurisdiction	(16,423)	3,325
Surtax on unappropriated retained earnings	2,041	-
Others	<u>12,412</u>	<u>2,432</u>
	<u>\$ 157,085</u>	<u>88,014</u>

2. Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2021 and 2020 are as follows:

Deferred Income Tax Assets:

	Defined Benefits Plans	Loss on Provision for Inventory Valuation	Others	Total
January 1, 2021	\$ 10,496	47,904	6,988	65,388
Statement of Profit or Loss - (Debit) Credit	(630)	3,036	(912)	1,494
Other Comprehensive Profit or Loss - (Debit) Credit	<u>(338)</u>	<u>-</u>	<u>-</u>	<u>(338)</u>
December 31, 2021	<u>\$ 9,528</u>	<u>50,940</u>	<u>6,076</u>	<u>66,544</u>
January 1, 2020	\$ 9,967	42,418	6,693	59,078
Statement of Profit or Loss - (Debit) Credit	(537)	5,486	295	5,244
Other Comprehensive Profit or Loss - (Debit) Credit	<u>1,066</u>	<u>-</u>	<u>-</u>	<u>1,066</u>
December 31, 2020	<u>\$ 10,496</u>	<u>47,904</u>	<u>6,988</u>	<u>65,388</u>

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

Deferred Income Tax Liabilities:

	Investment Accounted by Equity Method	Financial Assets at Fair Value through Other Comprehensive Profit or Loss	Total
January 1, 2021	\$ 49,271	-	49,271
Statement of Profit or Loss - (Debit) Credit	(49,271)	103,907	54,636
Other Comprehensive Profit or Loss - (Debit) Credit	-	33,148	33,148
December 31, 2021	\$	137,055	137,055

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

	Investment Accounted by Equity Method	Financial Assets at Fair Value through Other Comprehensive Profit or Loss	Total
January 1, 2020	\$ 37,889	-	37,889
Statement of Profit or Loss - (Debit) Credit	11,382	-	11,382
December 31, 2020	\$ 49,271	-	49,271

3. The Company has submitted tax return applications until the year 2019, as prescribed by the tax authority, upon settlement and audit.

(XIII) Capital and Other Equity

1. Capital stock - common shares

As of December 31, 2021 and 2020, the total authorized capital stock of the Company amounted to NTD 700,000 thousand, with a par value of NTD 10 per share, divided into 70,000 thousand shares, and 58,685 thousand shares were issued.

2. Capital surplus

	2021.12.31	2020.12.31
Premium on Share Issuance	<u>\$ 72,650</u>	<u>72,650</u>

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

3. Retained earnings

- (1) Legal Reserve

When there is no loss in the Company, the legal reserve will be used to issue new shares or cash upon resolution at the Shareholders' Meeting, but shall 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, the net amount after deduction of other shareholders' equity incurred in the current year shall be accounted for. Special surplus reserve of the same amount shall be withdrawn from the current profit and loss and the undistributed surplus of the previous period; As for the amount of other shareholders' equity reduction accumulated in the previous

period, the same amount of special earnings reserve shall not be allocated from the undistributed earnings of the previous period. If other shareholders' equity deduction has been reversed, the reversal shall be applicable to earnings distribution.

(3) Earnings Distribution

In accordance with the provisions of the Articles of Association 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 made anymore. In addition, after the special earnings reserve is raised or transferred as required by laws and regulations, the Company shall also accumulate the undistributed earnings, and the Board of Directors shall propose the allocation of earnings to the Board of Shareholders for resolution and distribution.

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

The Company's dividend distribution policy is based on the Company's capital budget, medium-term and long-term operational plan and financial condition, and is distributed after the resolution of the shareholders' meeting in accordance with the following principles:

- A. Except for the distribution by a reserve in accordance with the provisions of Item B below, no bonus shall be distributed when the Company has no surplus. However, when the legal surplus reserve has exceeded 50% of the total capital, the excess portion of the bonus may be distributed. The distribution of earnings shall be done in the form of shares or cash dividends, and the proportion of distribution is considered as follows:
 - a. To meet the needs of the Company to expand 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, in accordance with the laws and regulations, or the regulations of the competent authorities.

On July 15, 2021 and June 18, 2020, the Company resolved the 2020 and 2019 surplus distribution scheme at the shareholders' meeting. The dividends distributed to the shareholders are as follows:

	2020		2019	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends distributed to shareholders of common shares:				
Cash	\$ 4.50	<u><u>264,085</u></u>	4.20	<u><u>246,479</u></u>

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

On March 17, 2022, the Company's Board of Directors proposed the Company's surplus distribution scheme as follows:

	2021	
	Dividend per share (NTD)	Amount
Dividends distributed to shareholders of common shares:		
Cash	\$ 3.70	<u>217,137</u>

4. Other Equity (net after-tax)

	Other Comprehensive Profit or Loss of Affiliated Enterprises Recognized and Accounted by Equity Method	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	Remeasurement Amount of the Defined Benefit Plan
Balance as of January 1, 2021	\$ (14,798)	(9,783)	(20,360)
Other Comprehensive Profit or Loss of Affiliated Enterprises Recognized and Accounted by Equity Method	14,798	-	-
Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	-	133,847	-
Net After-tax Actuarial Gains and Losses from Defined Benefit Plan	-	-	1,350
Balance as of December 31, 2021	<u>\$ -</u>	<u>124,064</u>	<u>(19,010)</u>

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

	Other Comprehensive Profit or Loss of Affiliated Enterprises Recognized and Accounted by Equity Method	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	Remeasurement Amount of the Defined Benefit Plan
Balance as of January 1, 2020	\$ (23,403)	(12,780)	(16,092)
Other Comprehensive Profit or Loss of Affiliated Enterprises Recognized and Accounted by Equity Method	8,605	-	-
Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Profit or Loss	-	25,838	-
Net After-tax Actuarial Gains and Losses from Defined Benefit Plan	-	-	(4,268)
Disposal of equity instruments at fair value through other comprehensive profit or loss	-	(22,841)	-
Balance as of December 31, 2020	<u>\$ (14,798)</u>	<u>(9,783)</u>	<u>(20,360)</u>

(XIV) Earnings Per Share

1. Basic earnings per share

	2021	2020
Net Profit Attributable to Shareholders of Common Share Equity of the Company	<u>\$ 638,192</u>	<u>323,272</u>
Weighted Average Common Shares Outstanding (thousand shares)	<u>58,685</u>	<u>58,685</u>
Basic Earnings per share (NTD)	<u>\$ 10.87</u>	<u>5.51</u>

2. Diluted earnings per share

	2021	2020
Net Profit Attributable to Shareholders of Common Share Equity of the Company	<u>\$ 638,192</u>	<u>323,272</u>
Weighted Average Common Shares Outstanding (thousand shares)	58,685	58,685
Effect of Employee Compensation	<u>866</u>	<u>1,144</u>
Weighted Average Common Shares Outstanding (after adjustment for the effect of dilutive potential common shares)	<u>59,551</u>	<u>59,829</u>
Diluted Earnings per share (NTD)	<u>\$ 10.72</u>	<u>5.40</u>

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

(XV) Income from Customers' Contracts

1. Income Breakdown

	<u>2021</u>	<u>2020</u>
Markets at Major Sales Territories:		
Taiwan	\$ 2,190,377	2,152,529
Germany	383,951	485,522
Sweden	112,526	224,869
United States	60,538	78,564
Others	<u>60,166</u>	<u>34,342</u>
Total	<u><u>\$ 2,807,558</u></u>	<u><u>2,975,826</u></u>

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

	<u>2021</u>	<u>2020</u>
Major Products/Service Lines:		
Business Computers	\$ 1,860,691	1,814,013
Rugged Computers	768,811	983,596
Maintenance Services and Others	178,056	178,217
	<u>\$ 2,807,558</u>	<u>2,975,826</u>

2. Contract Balance

	<u>2021.12.31</u>	<u>2020.12.31</u>	<u>109.1.1</u>
Notes and Accounts Receivable	\$ 72,455	187,192	138,261
Less: loss allowance	(723)	(723)	-
Total	<u>\$ 71,732</u>	<u>186,469</u>	<u>138,261</u>
Contract Liabilities (including Affiliates) — Products Sales	<u>\$ 263,911</u>	<u>222,333</u>	<u>232,098</u>

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

Contract liabilities are mainly generated by advance receipts from the sale of rugged computers, which will be transferred to revenue by the Company at the delivery of products. The opening balances of contractual liabilities on January 1, 2020 and January 1, 2019 were recognized and included as income in FY2021 and FY2020, which amounted to NTD 110,762,000 and NTD 97,144,000, respectively, .

(XVI) Compensation for Employees and Directors

In accordance with the provisions of the Articles of Association of the Company, in case of a profit in the year, 5% ~ 10% of the profit shall be allocated as employee compensation, while no more than 3% of the profit shall be allocated as the director compensation. However, in case of accumulated losses, the Company shall withhold the amount to make up. The employee compensation referred to in the preceding paragraph can be paid to, in the forms of shares or cash, an employee of the subsidiary who meets certain conditions.

The estimated amount of employee compensation of the Company for FY2021 and FY2020 amounted to NTD 42,242,000 and NTD 44,522,000, respectively. The director's estimated compensation amounted to NTD 7,312,000 and NTD 8,923,000, respectively. The estimated amount is calculated on the net pre-tax profit of the Company, without deducting employee compensation and director compensation, and multiplied by the distribution percentages of employee compensation and director compensation, as prescribed by the Articles of Association of the Company. It is recognized and included as operating cost or operating expenses for FY2021 and FY2020. If the employee compensation is issued in the form of shares, the number of shares allotted shall be calculated based on the closing price of common shares on the day before by the 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

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

accounting estimates.

The amounts of the employee compensation and director compensation distributed by the Company's Board of Directors are identical to the amounts estimated in the aforementioned financial statements of the Company for 2021 and 2020, and are all issued in cash. For relevant information, please refer to the Market Observation Post System.

(XVII) Non-operating Income and Expenses

1. Interest Income

	<u>2021</u>	<u>2020</u>
Interest Income		
Interest on Bank Deposits	\$ 2,130	2,411
Other Interest Income	6,103	5,744
	<u>\$ 8,233</u>	<u>8,155</u>

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

2. Other Income

	2021	2020
Dividend income	\$ 8,844	9,603
COVID-19-related Rent Concessions	432	344
Others	1,180	867
	<u>\$ 10,456</u>	<u>10,814</u>

3. Other Gains and Losses

	2021	2020
Loss on Foreign Currency Exchanges	\$ (5,719)	(10,685)
Gains on Disposal of Property, Plant, and Equipment	-	175
Gains on Financial Assets Measured at Fair Value through Profit or Loss	357	665
Others	(9)	(13)
	<u>\$ (5,371)</u>	<u>(9,858)</u>

4. Financial Costs

	2021	2020
Interest expenses		
Lease Liabilities	\$ (278)	(334)
Others	(26)	-
	<u>\$ (304)</u>	<u>(334)</u>

(XVIII) Financial Instruments

1. Types of Financial Instruments

(1) Financial Assets

	2021.12.31	2020.12.31
Financial Assets Measured at Fair Value through Profit or Loss - Current:		
Monetary Fund	\$ 120,065	120,035
Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss - Non-current:		
Unlisted (OTC-listed) Company Shares	24,683	23,431
Foreign-listed Company Shares	699,339	-
Financial Assets Measured at Amortized Cost:		
Cash and Cash Equivalents	445,347	313,124
Notes and Accounts Receivable (including related parties)	71,732	186,469
Other Financial Assets - Current	246,020	255,020
Other Non-current Assets - Refundable Deposits	5,051	4,855
Total	<u>\$ 1,612,237</u>	<u>902,934</u>

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

(2) Financial Liabilities

	<u>2021.12.31</u>	<u>2020.12.31</u>
Financial Liabilities Measured at Amortized Cost:		
Lease Liabilities	33,819	21,053
Accounts Payable	<u>242,766</u>	<u>256,811</u>
Total	<u>\$ 276,585</u>	<u>277,864</u>

2. Credit Risk

(1) Exposure to Credit Risk

The carrying amount of a financial asset represents the maximum amount of credit risk. As of December 31, 2021, and December 31, 2020, the maximum credit risk amount of the Company amounted to NTD 1,612,237,000 and NTD 902,934,000, 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. As of December 31, 2021, and December 31, 2020, the net amount of accounts receivable (including accounts receivable of affiliates) of the Company amounted to 86.90% and 97.77%, respectively. The amount was composed of four clients, which resulted in the concentration of credit risk of the Company. In order to reduce credit risk, the Company continuously evaluated the financial situation of clients and strictly supervised the credit line.

3. Liquidity Risk

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

	Contractual					
	1 Cash Flow	Less than 6 Months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
12 Month 31 Day, 2021 Year						
Notes and Accounts Payable (including related parties)	\$ (135,105)	(135,105)	-	-	-	-
Lease Liabilities	(34,357)	(13,174)	(6,709)	(7,807)	(6,667)	-
Other Payables (including related parties)	(107,661)	(107,661)	-	-	-	-
	<u>\$ (277,123)</u>	<u>(255,940)</u>	<u>(6,709)</u>	<u>(7,807)</u>	<u>(6,667)</u>	<u>-</u>
12 Month 31 Day, 2020 Year						
Notes and Accounts Payable (including related parties)	\$ (147,859)	(147,859)	-	-	-	-
Lease Liabilities	(21,194)	(11,548)	(5,399)	(4,247)	-	-
Other Payables (including related parties)	(108,952)	(108,952)	-	-	-	-
	<u>\$ (278,005)</u>	<u>(268,359)</u>	<u>(5,399)</u>	<u>(4,247)</u>	<u>-</u>	<u>-</u>

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

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.

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

4. Foreign Exchange Risk

(1) Exposures of Foreign Exchange Risk

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

	2021.12.31			2020.12.31		
	Foreign Currencies	Currency Exchange Rate	NTD	Foreign Currencies	Currency Exchange Rate	NTD
<u>Financial Assets</u>						
<u>Monetary Items</u>						
USD	\$ 5,363	27.68	148,448	7,704	28.48	219,410
<u>Financial Liabilities</u>						
<u>Monetary Items</u>						
USD	9	27.68	249	56	28.48	1,595

For exchange rate risk information on non-monetary foreign currency assets, please refer to Note 6 (2).

(2) Sensitivity Analysis

The exchange risk of the Company is mainly derived from cash and cash equivalents denominated in foreign currencies, accounts receivable (including affiliates), accounts payable, and other payables (including affiliates), where gains and losses may occur at a foreign currency exchange. As of December 31, 2021 and 2020, at the premise that the NTD depreciation or appreciation against USD by 1%, while all other factors remain unchanged, the net pre-tax profit for 2021 and 2020 will increase or decrease by NTD 1,482 thousand and NTD 2,178 thousand, respectively. The two phases of the analysis were based on the same basis.

(3) Exchange Gains or Losses Incurred from Monetary Items

The exchange gains and losses of the monetary items of the Company are mainly incurred from the foreign currency transactions denominated in USD, at the conversion into NTD. As of December 31, 2021, and December 31, 2020, the amount of unrealized exchange losses and rate of foreign currency transactions denominated in USD are as follows:

	2021.12.31	2020.12.31
Unrealized Exchange Loss at the Period End	\$ 1,917	1,918
Exchange rate at the end of the period	27.68	28.48

5. Interest Rate Risk

As of December 31, 2021, and December 31, 2020, the Company has no interest-bearing obligation, and the Company's financial assets value is 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 short-term profit and loss of the Company.

6. Fair Value Information

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

(1) Financial Instruments Not Measured at Fair Value

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

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

(2) Financial Instruments Measured at Fair Value

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. Each Fair Value Hierarchy is Defined as follows:

- A. Level 1: Public quotations (unadjusted) of identical assets or liabilities in the active market.
- B. Level 2: In addition to the public quotations included in Level 1, the input parameters of an asset or liability are directly (i.e., at price) or indirectly (i.e., derived from price) observable.
- C. Level 3: the input parameter of an asset or liability is not based on observable market information (non-observable parameters).

		2021.12.31				
		Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Profit or Loss - Current						
Monetary Fund		\$ 120,065	120,065	-	-	120,065
Financial Assets Measured at fair value through other Comprehensive Profit or Loss - Non-current						
Unlisted (OTC-listed) Company Shares		\$ 24,683	-	-	24,683	24,683
Foreign-listed Company Shares		699,339	699,339	-	-	699,339
		\$ 724,022	699,339	-	24,683	724,022
		2020.12.31				
		Carrying Amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Profit or Loss - Current						
Monetary Fund		\$ 120,035	120,035	-	-	120,035
Financial Assets Measured at fair value through other Comprehensive Profit or Loss - Non-current						
Unlisted (OTC-listed) Company Shares		\$ 23,431	-	-	23,431	23,431

There is no fair-value measured financial assets and liabilities hierarchy transferring in 2021 and 2020.

(3) Fair Value Valuation Techniques of Financial Instruments Measured at Fair Value

If there is an open quotation to financial instruments at an active market, then the open quotation will be taken as fair value.

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

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. Therefore, the fair value is determined by reference to market quotations.

In addition to the aforementioned financial instruments on active markets, the fair value of the remaining financial instruments is obtained by reference to valuation techniques or quotations from trading counterparts. The fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with substantially similar conditions and characteristics, the discounted cash flow approach, or other evaluation techniques, including the calculation based on the market information acquirable on the balance sheet date by using models.

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

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

(4) Details of Changes in the Level 3

	Equity Instruments of Financial Assets at Fair Value through Other Comprehensive Profit and Loss
January 1, 2021	\$ 23,431
Gross Profit or Loss	
Recognized and Included under Other Comprehensive Profit or Loss	166,995
Reclassification	<u>533,596</u>
December 31, 2021	<u>\$ 724,022</u>
January 1, 2020	\$ 64,729
Gross Profit or Loss	
Recognized and Included under Other Comprehensive Profit or Loss	25,838
Disposals	<u>(67,136)</u>
December 31, 2020	<u>\$ 23,431</u>

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

(5) Quantitative information on fair value measurement of significant non-observable input value (Level 3)

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

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

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

Items	Valuation Techniques	Significant Unobservable Input Value	Relation of Significant Unobservable Input Value with Fair Value
Financial Assets Measured at Fair Value through Other Comprehensive Profit or Loss - Unlisted (OTC-listed) Shares	Cash Flow Discounting Approach	Shareholders' equity capital cost ratio (8.55% on December 31, 2021; 9.30% on December 31, 2020)	The higher cost ratio of the shareholders' equity capital is, the lower the fair value

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

The Company's fair value measurement of financial instruments is reasonable. However, the adoption of different valuation approaches or evaluation parameters may result in different valuation results. For the financial instruments classified as Level 3 in FY2021 and FY2020, in case of changes in the evaluation parameters, the impact on other comprehensive profit and loss in the current period is as follows:

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

			Fair Value Changes Reflected in Other Comprehensive Profit or Loss	
			Favorable Change	Adverse Change
	Input Value	Upward or Downward Change		
December 31, 2021				
Financial Assets				
Measured at Fair				
Value through Other				
Comprehensive Profit				
and Loss				
Unlisted (OTC-listed)	Cost Ratio of	0.25%	<u>\$ 156</u>	<u>154</u>
Company Shares	Shareholders' Equity Capital			
December 31, 2020				
Financial Assets				
Measured at Fair				
Value through Other				
Comprehensive Profit				
and Loss				
Unlisted (OTC-listed)	Cost Ratio of	0.25%	<u>\$ 146</u>	<u>144</u>
Company Shares	Shareholders' Equity Capital			

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. Where 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 risk, interest risk, and other price risks) as a result of its business activities. This note represents 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 is responsible for developing and controlling the Company's risk management policies. 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 with the risk and risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and operation of the Company.

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

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

1. Credit Risk

Credit risk is referred to the risk of financial losses incurred due to the inability of clients or counterparts to meet their contractual obligations, mainly including 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 a good reputation; the fund beneficial certificates held are issued by companies with a 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 condition to determine its credit limit, with continuous evaluation of the client's financial condition performed regularly.

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, the Company is free from liquidity risk, resulted by the inability to raise funds to perform contractual obligations.

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

3. Market Risk

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

(1) Foreign Exchange Risk

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

(2) Interest Rate Risk

The Company mainly operates with its funds, without interest-bearing 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 is free from significant interest risk.

(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 listed counterparts, which are not held for sales, but long-term strategic investments.

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

In addition, the shares of the Company held by non-listed (OTC-listed) companies 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 insignificant.

The sensitivity analysis of equity instrument price risk is based on changes in fair value at the end of the statement period. In case of a price increase/decrease by 5% of the equity instruments, the amount of other comprehensive profit or loss for 2021 would have increased/decreased by NTD 34,967 thousand.

(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

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

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 as of the statement date is as follows:

	2021.12.31	2020.12.31
Total Liabilities	\$ 789,534	661,008
less: cash and cash equivalents	445,347	313,124
Net Liabilities	\$ 344,187	347,884
Total Equity	\$ 2,915,751	1,604,603
Capital and Liability Ratio	11.80%	21.68%

There were no significant changes in the capital management approach of the Company during FY2021.

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

(XXI) Investment and Fund-raising Activities for Non-cash Transactions

1. For acquisition of right-of-use by asset lease, please refer to Note 6 (7).
2. Adjustment of Liabilities Arising from Financing Activities is as follows:

	2021.1.1	Cash Flow	Changes in Non-cash Items		2021.12.31
			Additions	Reductions	
Lease Liabilities	\$ 21,053	(26,706)	39,472	-	33,819

	2022.1.1	Cash Flow	Changes in Non-cash Items		2020.12.31
			Additions	Reductions	
Lease Liabilities	\$ 26,916	(26,283)	26,543	(6,123)	21,053

VII. Related Party Transactions

(I) Name of related party and relationship

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

Name of Related Party	Relations with the Company
Flexbasis Technology Inc.	Subsidiaries of the Company
MilDef Group AB (Note)	Affiliated Enterprises of the Company
MilDef Products AB (Note)	Subsidiary of MilDef Group AB
MilDef Ltd. (Note)	Subsidiary of MilDef Group AB
MilDef, Inc. (Note)	Subsidiary of MilDef Group AB
Roda Computer GmbH	The Company is one of the three shareholders of this company

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

(II) Significant Transactions with Related Parties

1. Operating Income

	2021	2020
Associated Enterprises	\$ 58,895	324,677
Other Related Parties		
Roda Computer GmbH	376,504	485,522
	<u>\$ 435,399</u>	<u>810,199</u>

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

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

2. Purchase

	2021	2020
Subsidiaries	\$ 74,085	61,927
Other Related Parties	-	-
	<u>\$ 74,085</u>	<u>61,927</u>

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

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

3. Accounts Receivable from Related Parties

	<u>2021.12.31</u>	<u>2020.12.31</u>
Associated Enterprises		
MilDef Ltd.	\$ -	1,030
MilDef Products AB	-	108,601
MilDef, Inc.	-	25,437
Other Related Parties		
Roda Computer GmbH	6,376	28,048
	<u>\$ 6,376</u>	<u>163,116</u>

4. Accounts Payable to Affiliates (accounted as accounts payable)

	<u>2021.12.31</u>	<u>2020.12.31</u>
Subsidiaries	<u>\$ 7,287</u>	<u>4,324</u>

5. Contractual Liabilities of Affiliates (accounted as contractual liabilities)

	<u>2021.12.31</u>	<u>2020.12.31</u>
Associated Enterprises	\$ -	11,665
Other Related Parties		
Roda Computer GmbH	76,680	41,305
	<u>\$ 76,680</u>	<u>52,970</u>

6. Maintenance and Other Income

	<u>Maintenance and Other Income</u>	
	<u>2021</u>	<u>2020</u>
Associated Enterprises	\$ 3,083	2,364
Other Related Parties	7,382	6,717
	<u>\$ 10,465</u>	<u>9,081</u>

Receivables arising from the above transactions are received.

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

	<u>Technical Service Fees, Maintenance Fees, and Other</u>		<u>Other Payables to Related Parties</u>	
	<u>2021</u>	<u>2020</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Associated Enterprises	\$ 4,184	2,295	-	632
Other Related Parties	857	1,301	-	268
	<u>\$ 5,041</u>	<u>3,596</u>	<u>-</u>	<u>900</u>

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

(III) Compensation of Major Management Personnel

	2021	2020
Short-term Employee Benefits	\$ 17,904	17,108
Post-employment Benefits	106	394
	<u>\$ 18,010</u>	<u>17,502</u>

VIII. Pledged Assets

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

Asset Name	Pledge Guarantee Subject	2021.12.31	2020.12.31
Time Deposit	Tariff Guarantee	<u>\$ 200</u>	<u>200</u>

IX. Significant Liabilities and Unrecognized Contractual Commitments: None.

X. Critical Disaster Loss: None.

XI. Major Subsequent Events: None.

XII. Others

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

Functions Type	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expenses						
Salary Expenses	77,883	171,625	249,508	75,888	174,633	250,521
Labor and Health Insurance Costs	6,807	15,282	22,089	6,015	15,270	21,285
Retirement benefit Expenses	3,252	7,718	10,970	3,357	8,319	11,676
Director Compensation	-	7,380	7,380	-	9,031	9,031
Other Employee Welfare Expense	797	2,010	2,807	822	2,154	2,976
Depreciation Expenses	12,385	28,565	40,950	12,146	28,830	40,976
Amortization Expenses	199	4,454	4,653	13	2,716	2,729

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

The additional information on the employee number and employee benefits expenses of the Company for FY2021 and FY2020 are as follows:

	2021	2020
Number of Employees	<u>308</u>	<u>332</u>
Number of Directors who are not Concurrent Employees	<u>6</u>	<u>6</u>
Average Employee Benefit Expenses	<u>\$ 945</u>	<u>879</u>
Average Employee Compensation Cost	<u>\$ 826</u>	<u>768</u>
Adjustment of Average Employee Salary Expenses	<u>7.55%</u>	<u>5.49%</u>
Supervisor Compensation	<u>\$ -</u>	<u>-</u>

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

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

- (I) The Company has established a Remuneration and Compensation Committee, responsible for reviewing the Company's overall compensation, the remuneration of directors, senior managers, and the payment pattern thereof.
- (II) The directors of the Company are unpaid officers, and their compensation shall be paid in accordance with Article 20 of the Articles of Association. The performance policy rationality of the director compensation is major 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 compensation shall be given, taking the contribution of individuals to the operation of the Company into consideration, subject to the professional deliberation of the Remuneration and Compensation Committee, and to be reviewed and approved by the Board of Directors.
- (III) The compensation paid to the Company's independent directors is based on the valuation results of the "Compensation Management Approach for Directors and Managers", which shall take the time invested by individual independent directors into account and provide reasonable compensation. Compensation standard and composition of independent directors shall be reported to the Board of Directors for resolution after approval of the Remuneration and Compensation Committee. The compensation paid to the Company's independent directors is based on the valuation results of the "Compensation Management Approach for Directors and Managers", which shall take the time invested by individual independent directors into account and provide reasonable compensation. Compensation standard and composition of independent directors shall be reported to the Board of Directors for resolution after approval of the Remuneration and Compensation Committee.
- (IV) The appointment, dismissal, and compensation of the general manager and deputy manager of the Company shall be determined by the Board of Directors, according to the regulations of the Company. The compensation standard shall be proposed to the Board of Directors by the Human Resources Department of the Company in accordance with the relevant provisions of the performance evaluation of the Company, and in accordance with the individual performance and contribution to the overall operation of the Company, and concerning the market standards, subject to the resolution of the Remuneration and Compensation Committee, and the approval of the Board of Directors.
- (V) The Company's employee compensation policy is based on the individual's competence, contribution to the Company, and performance, and positively correlates with operating performance. The overall compensation package mainly includes basic salary, bonuses, and employee compensation. As for the standard of compensation, the basic salary is determined based on the market review of the employee's position; the bonus and employee compensation are issued when the target and operational performance of the employee,

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

department, and the Company is achieved.

XIII. Notes to Disclosures

(I) Information Related to Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, in FY2021, the Company shall disclose relevant information of significant transactional items as follows:

1. Funds Lent to Others: None.
2. Endorsement for Others: None.
3. Description of marketable securities held at the end of the period (excluding investment subsidiaries, associated enterprises, and joint venture equity):

Unit: thousand shares / thousand Units / NTD thousand

Securities Holder	Type and Name of Securities	Relationship with Issuer of Securities	Accounting Item	End of Period			
				Number of Shares	Carrying Amount	Shareholding Ratio	Fair Value/Net value
The Company	Roda Computer GmbH Shares	The Company is one of the three shareholders of this company	Financial Assets Measured at fair value through other Comprehensive Profit or Loss - Non-current	-	23,683	8.00 %	23,683
The Company	Alliance Technology Co., Ltd. Shares	-	"	100	1,000	0.79 %	1,000
The Company	Mildef Group AB Shares	-	"	4,356	699,339	12.23 %	699,339

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

Securities Holder	Type and Name of Securities	Relationship with Issuer of Securities	Accounting Item	End of Period			
				Number of Shares	Carrying Amount	Shareholding Ratio	Fair Value/Net value
The Company	UPAMC James Bond Money Market Fund	-	Financial Assets Measured at Fair Value through Profit or Loss - Current	2,372	40,022	-	40,022
The Company	Hua Nan Phoenix Money Market Fund	-	"	1,219	20,013	-	20,013
The Company	Fuh Hwa Money Market Fund	-	"	1,374	20,009	-	20,009
The Company	Hua Nan Kirin Money Market Fund	-	"	1,655	20,007	-	20,007
The Company	Jih Sun Money Market Fund	-	"	1,335	20,014	-	20,014

4. Accumulative purchase or sale of the same marketable securities amounted to NTD 300 million or more than 20% of the paid-in capital:

Unit: thousand shares / NTD

Company Purchasing or Selling	Type and Name of Securities	Accounting Item	Count	Relation	Beginning of Period		Buy-in		Sell-out				End of Period	
					Number of Shares	Amount	Number of Shares	Amount (Note)	Number of Shares	Selling Price	Book Cost	Profit or Loss on Disposal	Number of Shares	Amount
The Company	UPAMC James Bond Money Market Fund	Financial Assets Measured at Fair Value through Profit or Loss - Current	-	-	3,564	60,020	10,088	170,185	11,280	190,183	190,183	-	2,372	40,022

(Note) Including gains measured at fair value

5. Real estate acquisition amounted to NTD 300 million or more than 20% of paid-in capital: None.
6. Disposal of real estate amounted to NTD 300 million or more than 20% of paid-in capital: None.
7. Amount of goods sold and purchased with related parties reached NTD 100 million or more than 20% of paid-in capital:

Unit: NTD thousand

Goods Purchasing (Sales) Company	Name of Trading Counterpart	Relation	Transaction Details				Situation and reason why trading conditions are different from general trading		Notes and Accounts Receivable (Payable)		Remarks
			Purchase (Sales) of Goods	Amount	Percentage of total Goods Purchasing (Sales)	Credit Period	Unit Price	Credit Period	Balance	Percentage of Total Notes or Accounts Receivable (Payable)	
The Company	Roda Computer GmbH	The Company is one of the three shareholders of this company	Sale of Goods	376,504	13.41 %	Delivery in 45 days	-	-	6,376	8.89%	

8. Receivables from related parties amounted to NT \$100 million or more than 20% of paid-in capital: None.
9. Engaged in Derivative Transactions: None.

(II) Relevant Information on the Reinvestment Business:

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

Unit: thousand shares / NTD

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

Securities Holder		Type and Name of Securities		Relationship with Issuer of Securities		Accounting Item		End of Period			
								Number of Shares	Carrying Amount	Shareholding Ratio	Fair Value/Net value
Name of the Investment Company	Name of Investee	Location	Main Business Activities	Initial Investment		Holdings at the End of Period			Profit or Loss of Investee	Recognized Profit or Loss in the Period	Remarks
				End of the Current Period	End of Previous Year	Number of Shares	Ratio	Carrying Amount			
The Company	MilDef Group AB	Muskotgatan 12, S 250 22 Helsingborg, Sweden	Buying and Selling Business	-	23,065	-	- %	-	-	(24,862)	(Note 1)
The Company	Flexbasis Technology Inc	New Taipei City	Manufacturing Industry	27,208	20,350	2,416	65.30%	26,289	27,372	7,062	(Note 2)

Note 1: The Company discontinued the equity method in June 2021.

Note 2: Reversed in the Consolidated Financial Statements.

(III) Investment Information of Mainland China: None.

(IV) Information on Major Shareholders

Name of Major Shareholders	Shares	Number of Shares Held	Shareholding Ratio
Shen, Yi-tong		3,126,244	5.32%

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

XIV. Division Information

For more details, please refer to the 2021 Consolidated Financial Statement.

Mildef Crete Inc.
Detailed Statement of Cash and Cash Equivalents
December 31, 2021

Unit: NTD thousand

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Petty Cash		\$ 372
Bank Deposits		
Check Deposits		5,600
Demand Deposits		340,992
Deposits in Foreign Currencies	USD 3,549,140.96 × exchange rate 27.68	98,240
Deposits in Foreign Currencies	AUD 7,106.24 × exchange rate 20.08	143
		<u><u>\$ 445,347</u></u>

Detailed Statement of Financial Assets Measured at Fair Value through Profit or Loss - Current

<u>Name of Financial Instrument</u>	<u>Description</u>	<u>Number of Units (Thousands)</u>	<u>Acquisition Cost</u>	<u>Fair Value</u>		<u>Remarks</u>
				<u>Unit Price</u>	<u>Total Amount</u>	
UPAMC James Bond Money Market Fund	Monetary Fund	2,372	\$ 40,000	16.8723	40,022	
Hua Nan Phoenix Money Market Fund	Monetary Fund	1,219	20,000	16.4196	20,013	
Fuh Hwa Money Market Fund	Monetary Fund	1,374	20,000	14.5649	20,009	
Hua Nan Kirin Money Market Fund	Monetary Fund	1,655	20,000	12.0881	20,007	
Jih Sun Money Market Fund	Monetary Fund	1,335	20,000	14.9871	20,014	
			<u><u>\$ 120,000</u></u>		<u><u>120,065</u></u>	

Mildef Crete Inc.
Detailed Statement of Accounts Receivable
December 31, 2021

Unit: NTD thousand

<u>Customer Name</u>	<u>Amount</u>
Non-affiliates:	
SCS Technologies Ltd.	\$ 21,584
Syntrend Creative Park Co., Ltd.	21,244
MilDef, Inc.	13,124
MilDef Products AB	6,380
Others (for an amount less than 5% of the balance of the current account)	<u>3,024</u>
Total	<u>\$ 65,356</u>
Affiliates:	
Roda Computer GmbH	<u>\$ 6,376</u>

Detailed Statement of Inventories

<u>Items</u>	<u>Amount</u>	
	<u>Book Value</u> <u>(Note)</u>	<u>Net Realized</u> <u>Value</u>
Goods	\$ 120,009	132,838
Finished Goods	1,433	4,276
Semi-finished Goods	198,774	198,774
Work in Process	148,208	148,208
Raw Material	461,826	461,826
Total	<u>\$ 930,250</u>	<u>945,922</u>

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

Mildef Crete Inc.
Detailed Statement of Other Current Assets
December 31, 2021

Unit: NTD thousand

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Prepaid Expenses	Prepaid Rent, Insurance Expense, Office Renovation Expense	\$ 8,375
Prepayment	Prepayment for Molding	4,592
Other Receivables	Advertising Fees receivable and Incentive Payments Receivable from Suppliers	3,181
Tax Refund Receivable	Refundable Business Tax	2,067
Others (for an amount less than 5% of the balance of the current account)		<u>45</u>
Total		<u><u>\$ 18,260</u></u>

Detailed Statement of Financial Assets Measured at Fair Value through Other Comprehensive Income -
Non-current Changes
January 1, 2021 to December 31, 2021

Name	<u>Beginning of Period</u>		<u>Increase in the Current Period (Note 1)</u>		<u>Decrease in the Current Period</u>		<u>End of Period</u>		Provision of Guarantees or Pledges
	Number of Shares (thousand shares)	Fair Value	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Fair Value	
Roda Computer GmbH	-	\$ 22,431	-	1,252	-	-	-	23,683	None
Mildef Group AB	-	-	4,356	699,339	-	-	4,356	699,339	None
Alloance Technology Co., Ltd.	100	1,000	-	-	-	-	100	1,000	None
		<u>\$ 23,431</u>		<u>700,591</u>		<u>-</u>		<u>724,022</u>	

Note 1: The amount is inward transferred based on NTD 533,596,000 from the equity method investment in the current period and the increase of NTD 166,995,000 in the fair value valuation.

Mildef Crete Inc.
Detailed Statement of Changes in Investments by the Equity Method
January 1, 2021 to December 31, 2021

Unit: NTD /thousand shares

Name	Opening Balance		Increase in the Current Period		Decrease in the Current Period		Gains (Losses) on Investment Recognized and Included under Equity Method	Exchange differences in Conversion of the Financial Statements of Foreign Operations	Closing Balance			Net Equity		Endorsements and Guarantees Provided
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Shareholding Ratio	Amount	Unit Price	Total Price	
MilDef Group AB	3,572	\$ 137,357	-	4,488 (Note 1)	(3,572)	(131,781) (Note 2)	(24,862)	14,798	-	- %	-	-	-	None
Flexbasis Technology Inc.	2,035	21,982	381	4,368	-	(7,123) (Note 3)	7,062	-	2,416	65.30%	26,289	10.88	26,289	None
		<u>\$ 159,339</u>		<u>8,856</u>		<u>(138,904)</u>	<u>(17,800)</u>	<u>14,798</u>			<u>26,289</u>		<u>26,289</u>	

Note 1: An adjustment in Gross Profit from Sales counted for NTD 4,488,000 is realized.

Note 2: Cash dividends amounted to NTD 17,607,000 and were distributed from surplus distribution. Investments of NTD 114,174,000 by equity method were disposed of and reclassified.

Note 3: Cash dividends of NTD 7,123,000 were distributed from surplus distribution.

Mildef Crete Inc.
Detailed Statement of Other Non-current Assets
December 31, 2021

Unit: NTD thousand

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Refundable Deposits	Guarantee Deposits for Plant Buildings, Operating Guarantees, Tariff Guarantees, etc.	<u>\$ 5,051</u>

Detailed Statement of Notes Payable

<u>Manufacturer Name</u>	<u>Description</u>	<u>Amount</u>
Shin Tung Shin Spray Paint Limited Company	Purchase	\$ 2,215
Adapter Technology Co., Ltd.	"	2,168
LM PCB Co., Ltd.	"	2,006
Feng Gen Enterprise Co., Ltd.	"	1,896
Data Systems Consulting Co., Ltd.	System Maintenance and Acquisition of Intangible Assets	1,260
Reka Technology Co., Ltd.	Purchase	1,138
Others (for an amount less than 5% of the balance of the current account)	"	<u>11,127</u>
		<u>\$ 21,810</u>

Detailed Statement of Accounts Payable

<u>Manufacturer Name</u>	<u>Description</u>	<u>Amount</u>
Non-affiliates		
Synnex Technology International Corporation	Purchase	\$ 33,623
Acer Inc.	"	18,983
Genuine C&C Inc.	"	8,924
Xander International Corp.	"	8,883
Fuslink Corporation	"	5,978
Weblink International Inc.	"	5,871
Others (for an amount less than 5% of the balance of the current account)	"	23,746
Affiliates		<u>7,287</u>
		<u>\$ 113,295</u>

Mildef Crete Inc.
Detailed Statement of Payable
December 31, 2021

Unit: NTD thousand

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Salaries and Wages Payable		\$ 34,668
Employee Bonus Payable		42,242
Compensation Payable to Directors		7,312
Payable Bonus for Unused Off-day		16,502
Labor Insurance Premiums Payable		2,427
Others		4,510
Total		<u><u>\$ 107,661</u></u>

Detailed Statement of Other Current Liabilities

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Collection on behalf of Others		\$ 390
Provisional Collection		1
Total		<u><u>\$ 391</u></u>

Detailed Statement of Lease Liabilities

<u>Items</u>	<u>Description</u>	<u>Lease Period</u>	<u>Discount Rate</u>	<u>Closing Balance</u>	<u>Remarks</u>
Houses and Buildings		2017/7-2025/12	1.35%	<u><u>\$ 33,819</u></u>	
Lease Liabilities - Current				<u><u>\$ 19,598</u></u>	
Lease Liabilities - Non-current				<u><u>\$ 14,221</u></u>	

Mildef Crete Inc.
Detailed Statement of Operating Costs
January 1, 2021 to December 31, 2021

Unit: NTD thousand

<u>Items</u>	<u>Amount</u>
Commodity Inventory at the Beginning of the Period	\$ 144,196
Add: Net Goods Purchased in the Current Period	1,725,539
Inventory Surplus	16
Less: Commodity Inventory at the End of the Period	(120,060)
Transfer to Various Expenses	(100)
Cost of Sales - Goods	<u>1,749,591</u>
Raw Materials at the Beginning of the Period	602,816
add: Net Material Purchased in the Current Period	423,551
Transfer to Products-in-process and Semi-finished Products	55,469
Inventory Surplus	119
less: Raw Materials at the End of the Period	(639,458)
Actual Amount Incurred of After-sales Service Reserves	(4,194)
Transfer to Various Expenses	(3,531)
Cost of Raw Material Sales	<u>(9,541)</u>
Consumption of Raw Materials	425,231
Direct Labor	59,006
Production Overheads	<u>56,082</u>
Manufacturing Cost	540,319
Products-in-progress and Semi-finished Products at the Beginning of the Period	365,912
Add: Semi-finished Products Purchased	570
Transfer of Finished Products	540
Less: Products-in-process and Semi-finished Products at the End of the Period	(422,683)
Transfer of Raw Materials	(55,469)
Transfer to Various Expenses	(10,796)
Sale of Semi-finished Products	(19,531)
Inventory Loss	<u>(6)</u>
Manufacturing Cost	398,856
Add: Finished Products at the Beginning of the Period	1,732
Less: Finished Products at the End of the Period	(2,751)
Transfer to Products-in-process and Semi-finished Products	(540)
Transfer to Various Expenses	<u>(4)</u>
Cost of Products Sold - Finished Products	397,293
Cost of Raw Material Sold	9,541
Cost of Semi-finished Products Sold	19,531
Cost of Products Sold - Manufacturing	<u>426,365</u>
Add: Transfer of Maintenance Expense	8,385
Provision for After-sales Service Reserve	933
Estimated Employee Bonus	17,638
Loss on Inventory Shortage	15,182
Inventory Surplus	<u>(129)</u>
Total Cost of Sales	<u><u>\$ 2,217,965</u></u>

Mildef Crete Inc.
Detailed Statement of Operating Expenses
January 1, 2021 to December 31, 2021

Unit: NTD thousand

<u>Items</u>	<u>Sales expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Payroll Expenses	\$ 114,696	21,476	35,453
Rental Expense	83	35	-
Insurance Expense	10,529	2,627	2,713
Depreciation	25,350	1,465	1,750
Various Amortization	-	131	4,323
Sample Fee	-	-	5,996
Commissioned Research Expense	-	-	2,704
Commission Expense	2,541	-	-
Pension	5,173	1,089	1,456
Professional Service Fees	-	2,103	-
Bank Processing Fee	8,466	2	-
Other Expenses	15,940	13,428	11,096
Total	\$ 182,778	42,356	65,491

Other Financial Assets - for detailed statement of current assets, please refer to Note 6 (1) to the financial statement

For detailed statement of changes in property, plant, and equipment, please refer to note 6 (6) to the financial statement

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

For detailed statement of changes in right-of-use assets, please refer to note 6 (7) to the financial statement

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

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

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

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

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

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

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

茂訊電腦股份有限公司

Mildef Crete Inc.

Chairman Yi Tong Shen