

**Mildef Crete Inc. and Its Subsidiaries**  
**Consolidated Financial Statements and**  
**Independent Auditors' Review Report**  
**For the Three Months Ended March 31, 2022 and 2021**

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## **Independent Auditors' Review Report**

To the Board of Directors of Mildef Crete Inc.,

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Mildef Crete Inc. (the "Company") and its subsidiaries (collectively, the "Group") as of March 31, 2022 and 2021; the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). It is the management team's responsibility to prepare the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports" by Securities Issuers and the IAS 34 "Interim Financial Reporting", which has been endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Republic of China, to present the consolidated financial position of the Group fairly, while our responsibility is to make a conclusion on the consolidated financial statements based on our review results.

### **Scope**

Except for that stated in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with Statements on Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". The procedures performed when we reviewed the consolidated financial statements included inquiries (mainly from personnel in charge of financial and accounting affairs), analytical procedures, and other review procedures. The scope of review work is obviously smaller than that of audit work, so we might not be able to detect all the material matters that could have been identified through audit work, hence we were unable to express an audit opinion.

### **Basis for Qualified Conclusion**

As stated in Note 6(5) to the consolidated financial statements, the Group's investment using the equity method as of March 31, 2021 was in the amount of NT\$132,468,000, and the Group's share of loss on the associates recognized using the equity method during the three months ended March 31, 2021 was NT\$20,012,000, which was based on the investees' financial reports not reviewed by a CPA for the same period.

### **Unqualified and Qualified Conclusions**

According to our review results, except that the financial statements of the investees described in the Basis for Qualified Conclusion paragraph may result in adjustment to the consolidated financial statements if reviewed by us, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC, with a fair presentation of the Group’s consolidated financial position as of March 31, 2022 and 2021 as well as consolidated financial performance and consolidated cash flows for three months ended March 31, 2022 and 2021.

KPMG Taiwan

CPA:

Wei-Ming Shi  
Mei-Yan Chen

Competent Securities :  
Authority's Approval  
Document No.

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

April 27, 2022

**Reviewed only on March 31, 2022 and 2021 and not audited in accordance with the auditing standards generally accepted in the Republic of China**

**Mildef Crete Inc. and Its Subsidiaries**

**Consolidated Balance Sheets**

**As of March 31, 2022, December 31, 2021, and March 31, 2021**

**Unit: NT \$1000**

Assets		2022.3.31		2021.12.31		2021.3.31		Liabilities and equity		2022.3.31		2021.12.31		2021.3.31			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (Note 6 (1) )	\$	397,929	13	500,086	17	363,911	15	2130		\$	278,501	9	263,911	9	278,463	11
1110	Financial assets at fair value through profit or loss - current (Note 6 (2) )		120,134	4	120,065	4	260,129	11	2150	Notes payable		28,723	1	24,588	1	34,070	1
1150	Net amount of notes and accounts receivable (Note 6 (3) (15))		63,018	2	65,356	2	36,689	1	2170	Accounts payable		97,810	3	106,155	3	132,763	6
1180	Accounts receivable - related parties (Note 6 (3) (15) and (7))		11,595	-	6,376	-	85,194	3	2209	Accrued expenses (Note 6 (16))		105,339	3	116,163	4	109,116	4
130X	Inventories (Note 6 (4))		1,012,346	33	901,160	31	914,277	37	2220	Other payables-related party (Note 7)		54	-	-	-	1,313	-
1476	Other financial assets - current (Note 6 (1))		246,020	8	246,020	8	255,020	11	2230	Current income tax liabilities		63,161	2	58,919	2	64,404	3
1479	Other current assets		23,331	-	19,960	1	32,528	1	2280	Lease liabilities-current (Note 6 (10))		21,563	1	22,898	1	15,492	1
Total current assets			1,874,373	60	1,859,023	63	1,947,748	79	2399	Other current liabilities		683	-	392	-	824	-
Non-current assets:								Non-current liabilities:									
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))		855,091	28	724,022	25	23,431	1	2322	Long-term loans due within one year (Notes 6 (9) and 8)		1,226	-	1,751	-	2,101	-
1550	Investments accounted for using the equity method (Note 6 (5))		-	-	-	-	132,468	6	Total			597,060	19	594,777	20	638,546	26
1600	Property, plant and equipment (Notes 6 (6) and 8)		241,643	8	242,238	8	248,104	10	Non-current liabilities:								
1755	Right-of-use assets (Note 6 (7))		53,192	2	51,511	2	18,527	1	2540	Long-term loans (Notes 6 (9) and 8)		-	-	-	-	1,226	-
1780	Intangible assets (Note 6 (8))		9,675	-	7,765	-	9,009	-	2552	Provisions for warranty liabilities		8,531	-	4,535	-	4,790	-
1840	Deferred income tax assets		68,010	2	68,010	2	66,487	3	2570	Deferred income tax liabilities		163,269	5	137,055	5	49,271	2
1990	Other non-current assets (Note 8)		5,482	-	5,600	-	5,080	-	2580	Lease liabilities-non-current (Note 6 (10))		31,629	1	28,629	1	3,225	-
Total non-current assets			1,233,093	40	1,099,146	37	503,106	21	2640	Net defined benefit liabilities - non-current		46,728	2	52,983	2	57,087	3
									Total non-current liabilities			250,157	8	223,202	8	115,599	5
									Total			847,217	27	817,979	28	754,145	31
									Equity attributed to owners of the parent company (Note 6 (13)):								
								3110	Ordinary share capital		586,855	19	586,855	20	586,855	24	
								3200	Capital surplus		72,650	2	72,650	2	110,276	4	
								3300	Retained earnings		1,374,874	44	1,361,658	46	1,032,226	42	
								3400	Other equity		209,909	7	105,054	4	(48,882)	(1)	
									Equity attributed to owners of the parent company		2,244,288	72	2,126,217	72	1,680,475	69	
								36xx	Non-controlling interests		15,961	1	13,973	-	16,234	-	
									Total equity		2,260,249	73	2,140,190	72	1,696,709	69	
									Total liabilities and equity		\$ 3,107,466	100	2,958,169	100	2,450,854	100	
Total		\$	3,107,466	100	2,958,169	100	2,450,854	100									

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

**Chairman: Shen-Yi Tung**

**Manager: Shen-Yi Tung**

**Accounting Manager: Ya-Ping Liu**

**Reviewed only; not audited in accordance with the auditing standards generally accepted in the Republic of China**

**Mildef Crete Inc. and Its Subsidiaries**

**Consolidated Statements of Comprehensive Income**

**For the Three Months Ended March 31, 2022 and 2021**

**Unit: NT \$1000**

		<b>2022 Q1</b>		<b>2021 Q1</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (Notes 6 (15), 7 and 14)</b>	\$ 546,663	100	620,259	100
5000	<b>Operating costs (Notes 6 (4) (6) (7) (8) (10) (11) (16), 7 and 12)</b>	473,666	87	481,461	78
	<b>Gross operating profit</b>	72,997	13	138,798	22
5910	Less: Unrealized gain from sales	-	-	956	-
	<b>Realized gross operating profit</b>	72,997	13	137,842	22
	<b>Operating expenses (Notes 6 (6) (7) (8) (10) (11) (16), 7 and 12)</b>				
6100	Selling and marketing expenses	40,093	7	42,645	7
6200	General and administrative expenses	6,592	1	8,109	1
6300	Research and development expenses	15,736	3	13,536	2
	<b>Total operating expenses</b>	62,421	11	64,290	10
	<b>Net operating profit</b>	10,576	2	73,552	12
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6 (17))	2,225	1	1,858	-
7010	Other income (Note 6 (17))	654	-	969	-
7020	Other gains and losses (Note 6 (17))	6,158	1	(2,310)	-
7060	Share of the profit (loss) of associates accounted for using the equity method (Note 6 (5))	-	-	(20,012)	(3)
7510	Finance costs (Note 6 (10) and (17))	(167)	-	(131)	-
	<b>Total non-operating income and expenses</b>	8,870	2	(19,626)	(3)
	<b>Net profit before tax</b>	19,446	4	53,926	9
7951	<b>Minus: Income tax expense (Note 6 (12))</b>	4,242	1	13,491	2
	<b>Current net profit</b>	15,204	3	40,435	7
8300	<b>Other comprehensive income/(loss):</b>				
8310	<b>Items not reclassified as income and loss</b>				
8316	Unrealized gain on investments in equity instruments as at fair value through other comprehensive income	131,069	24	-	-
8349	Minus: Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6 (12))	26,214	5	-	-
	<b>Total amount of items not reclassified to profit or loss</b>	104,855	19	-	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8370	Amount of other comprehensive income/(loss) of affiliates accounted by equity method (Note 6 (5))	-	-	(3,941)	(1)
8399	Minus: Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
	<b>Total amount of items that may be reclassified subsequently to profit or loss</b>	-	-	(3,941)	(1)
8300	<b>Other comprehensive income/(loss)</b>	104,855	19	(3,941)	(1)
	<b>Total amount of other current comprehensive gains and losses</b>	<b>\$ 120,059</b>	<b>22</b>	<b>36,494</b>	<b>6</b>
	<b>Net profit/(loss) attributable to</b>				
8610	Owners of the Parent Company	\$ 13,216	3	42,187	7
8620	Non-controlling interests	1,988	-	(1,752)	-
		<b>\$ 15,204</b>	<b>3</b>	<b>40,435</b>	<b>7</b>
	<b>Total comprehensive income/(loss) attributable to:</b>				
8710	Owners of the Parent Company	\$ 118,071	22	38,246	6
8720	Non-controlling interests	1,988	-	(1,752)	-
		<b>\$ 120,059</b>	<b>22</b>	<b>36,494</b>	<b>6</b>
	<b>Earnings per share (NT\$: Note 6 (14))</b>				
	<b>Basic earnings per share</b>	<b>\$ 0.23</b>		<b>0.72</b>	
	<b>Diluted earnings per share</b>	<b>\$ 0.22</b>		<b>0.71</b>	

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

**Chairman: Shen-Yi Tung**

**Manager: Shen-Yi Tung**

**Accounting Manager: Ya-Ping Liu**

**Reviewed only; not audited in accordance with the auditing standards generally accepted in the Republic of China**  
**Mildef Crete Inc. and Its Subsidiaries**

**Consolidated statements of changes in equity**  
**For the Three Months Ended March 31, 2022 and 2021**

**Unit: NT \$1000**

	Retained earnings						Other Equity Items						
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated 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 remeasure ment	Total	Total equity attributable to owners of the parent company	Non-contro lling interests	Total equity
Balance on January 1, 2021	\$ 586,855	72,650	421,570	52,277	516,192	990,000	(14,798)	(9,782)	(20,360)	(44,941)	1,604,603	17,986	1,622,589
Current net profit	-	-	-	-	42,187	42,187	-	-	-	-	42,187	(1,752)	40,435
Other comprehensive income/(loss)	-	-	-	-	-	-	(3,941)	-	-	(3,941)	(3,941)	-	(3,941)
Total amount of other current comprehensive gains and losses	-	-	-	-	42,187	42,187	(3,941)	-	-	(3,941)	38,246	(1,752)	36,494
Changes in investments in associates accounted for using the equity method (Note 6(5))	-	37,626	-	-	-	-	-	-	-	-	37,626	-	37,626
Balance on March 31, 2021	\$ 586,855	110,276	421,570	52,277	558,379	1,032,200	(18,739)	(9,782)	(20,360)	(48,882)	1,680,475	16,234	1,696,709
Balance on January 1, 2022	\$ 586,855	72,650	456,181	44,942	860,535	1,361,600	-	124,060	(19,010)	105,054	2,126,217	13,973	2,140,190
Current net profit	-	-	-	-	13,216	13,216	-	-	-	-	13,216	1,988	15,204
Other comprehensive income/(loss)	-	-	-	-	-	-	-	104,850	-	104,855	104,855	-	104,855
Total amount of other current comprehensive gains and losses	-	-	-	-	13,216	13,216	-	104,855	-	104,855	118,071	1,988	120,059
Balance on March 31, 2022	\$ 586,855	72,650	456,181	44,942	873,751	1,374,800	-	228,915	(19,010)	209,909	2,244,288	15,961	2,260,249

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

Chairman: Shen-Yi Tung

Manager: Shen-Yi Tung

Accounting Manager: Ya-Ping Liu

**Reviewed only; not audited in accordance with the auditing standards generally accepted in the Republic of China**

**Mildef Crete Inc. and Its Subsidiaries**

**Consolidated statements of cash flows**

**For the Three Months Ended March 31, 2022 and 2021**

**Unit: NT \$1000**

	<b>2022 Q1</b>	<b>2021 Q1</b>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 19,446	53,926
<b>Adjustments for:</b>		
Profit and loss		
Depreciation expense	12,338	11,978
Amortization expense	1,270	974
Net gain on financial assets at fair value through profit or loss	(69)	(93)
Interest expense	167	131
Interest income	(2,225)	(1,858)
Share of loss of associates accounted for using the equity method	-	20,012
Gain on disposal of property, plant and equipment	(44)	-
Unrealized gain from sales	-	956
Total profit/(loss)	11,437	32,100
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	2,338	(13,336)
Accounts receivable from related parties	(5,219)	77,922
Inventories	(111,186)	(52,309)
Other current assets	(3,371)	1,248
Total net changes in assets related to operating activities	(117,438)	13,525
Net changes in liabilities related to operating activities		
Contract liabilities	14,590	56,130
Notes payable	4,135	(12,860)
Accounts payable (including related parties)	(8,345)	31,923
Other payable by related parties	54	413
Provisions for warranty liabilities	3,996	(3,006)
Accrued expenses and other current liabilities	(10,533)	(5,186)
Net defined benefit liabilities	(6,255)	(732)
Total amount of net changes in liabilities related to operating activities	(2,358)	66,682
Total amount of net changes in assets and liabilities related to operating activities	(119,796)	80,207
Total adjustments	(108,359)	112,307
Cash inflow (outflow) from operations	(88,913)	166,233
Interest received	2,225	1,858
Income tax paid	-	(5)
<b>Net cash inflow (outflow) from operating activities</b>	<b>(86,688)</b>	<b>168,086</b>
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at fair value through profit or loss	-	(140,000)
Acquisition of property, plant and equipment	(3,833)	(5,817)
Disposal of property, plant and equipment	152	-
Decrease in other non-current assets	118	325
Acquisition of intangible assets	(3,180)	(5,869)
<b>Net cash outflow from financing activities</b>	<b>(6,743)</b>	<b>(151,361)</b>
<b>Cash flows from financing activities:</b>		
Repayments of long-term loans	(525)	(525)
Payment of the principal portion of lease liabilities	(8,034)	(7,301)
Interests paid	(167)	(131)
<b>Net cash outflow of financing activities</b>	<b>(8,726)</b>	<b>(7,957)</b>
<b>Increase (decrease) in cash and cash equivalents in this period</b>	<b>(102,157)</b>	<b>8,768</b>
<b>Opening balance of cash and cash equivalents in the consolidated statements of cash flows</b>	<b>500,086</b>	<b>355,143</b>
<b>Closing balance of cash and cash equivalents in the consolidated statements of cash flows</b>	<b>\$ 397,929</b>	<b>363,911</b>

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

**Chairman: Shen-Yi Tung**

**Manager: Shen-Yi Tung**

**Accounting Manager: Liu-Yaping**



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

**Reviewed only; not audited in accordance with the auditing standards generally accepted**  
**in the Republic of China**

**Mildef Crete Inc. and Its Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(In thousands of NTD, except otherwise specified)**

**I. Company History**

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

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

The consolidated financial statements were approved and released by the Board of Directors on April 27, 2022.

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

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

The Group has applied the following newly revised IFRS since January 1, 2022, which has not caused any material impact on its consolidated financial statements.

- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

The standards and interpretations that have been issued and amended by the International Accounting Standards Board (IASB) but have not yet been endorsed by the FSC, while may be relevant to the Group are as follows:

New and amended standards	Main amendments	Effective date announced by the IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments are intended to improve consistency in the application of the standard to assist enterprises in determining whether debts or other liabilities with uncertain settlement dates should be classified as current (or may be due within one year) or non-current on the balance sheet.</p> <p>The amendments also clarify the definition for the classification of debts that an enterprise may settle by converting them into equity.</p>	January 1, 2023

The Group is currently evaluating the impacts of the above standards and interpretations on its financial position and operating results and will disclose relevant impacts when completing the evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

#### IV. Summary of Significant Accounting Policies

Except as stated below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the 2021 consolidated financial statements. Please refer to Note 4 to the 2021 consolidated financial statements for relevant information.

##### (I) Declaration of compliance

These consolidated financial statements have been prepared in accordance with the

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

Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. This consolidated financial statements do not include all the necessary information shall be disclosed in the entire annual consolidated financial statements prepared in accordance with the IFRSs approved and issued into effect by the FSC.

## (II) Basis of consolidation

### 1. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements include:

Name of investor	Name of subsidiary	Nature of business	% of equity held			Description
			2022.3.31	2021.12.31	2021.3.31	
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	65.3%	65.3%	55%	(Note)

(Note) The Company purchased 10.3% equity in Flexbasis from the Chairman of Flexbasis in June 2021.

### 2. Subsidiaries not included in the consolidated financial statements: None.

## (III) Employee benefits

The pension under the defined benefit plan during the interim period is calculated at actuarially determined pension cost rate on the balance sheet date of the prior year, from the beginning of the year to the end of this period and adjusted as per major market fluctuations after the balance sheet date, major reductions, settlements, or other major one-off events.

## (IV) Income tax

The Group measured and disclosed income tax expense incurred during the interim period in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”. Income tax expense is measured by multiplying the net income before tax for the interim reporting period by the management team’s best estimate of the expected effective tax rate for the entire year and is fully recognized as current income tax expense.

Income tax expense recognized directly in equity or other comprehensive income is measured at the tax rate that is expected to be applicable when temporary differences between the carrying amounts of the relevant assets and liabilities and their tax bases at the balance sheet date are realized or settled.

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

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

In preparing the consolidated financial statements, the management should exercise judgments and make estimates and assumptions in accordance with the IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC, which will affect the adoption of accounting policies and the amounts of assets, liabilities, income, and expenses reported. Actual results may differ from estimates.

When the consolidated financial statements were prepared, the critical judgments exercised by the management in adopting the Group’s accounting policies and the key sources of estimation uncertainty are consistent with Note 5 to the 2021 consolidated financial statements.

## VI. Description of Significant Account Titles

Except as stated below, there is no significant difference between the description of important accounting titles in these consolidated financial statements and the 2021 consolidated financial statements. Please refer to Note 4 to the 2021 consolidated financial statements for relevant information.

### (I) Cash and cash equivalents

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Cash on hand	\$ 382	382	390
Checking deposit and demand deposit	397,547	499,704	363,521
	<u><u>\$ 397,929</u></u>	<u><u>500,086</u></u>	<u><u>363,911</u></u>

The Group's bank time deposits with the initial duration of more than three months as of March 31, 2022, December 31, 2021, and March 31, 2021 were NT\$246,020,000, NT\$246,020,000, and NT\$255,020,000, respectively, which are recognized in other financial assets – current.

### (II) Financial instruments

#### 1. Financial assets at fair value through profit or loss - current

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Money funds	<u><u>\$ 120,134</u></u>	<u><u>120,065</u></u>	<u><u>260,129</u></u>

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

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

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

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Unlisted stocks	24,683	24,683	23,431
Overseas stocks	830,408	699,339	-
Total	<b>\$ 855,091</b>	<b>724,022</b>	<b>23,431</b>

The Group disposed of part of the associate Mildef Group's AB shares invested using the equity method in June 2021 and reclassified the remaining shares to financial assets at fair value through other comprehensive income - non-current. Please refer to Note 6(2) to the 2021 consolidated financial statements for relevant information.

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

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

	<b>2022.3.31</b>			<b>2021.12.31</b>			<b>2021.3.31</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
EUR	\$ 742	31.92	23,683	756	31.32	23,863	667	33.48	22,431
SEK	268,740	3.09	830,408	227,798	3.07	699,339	-		-

The Group did not dispose of its strategic investments during three months ended March 31, 2022 and 2021 nor reclassify the cumulative gains and losses within equity during these periods.

As of March 31, 2022, December 31, 2021, and March 31, 2021, none of the Group's financial assets above had been pledged as collateral.

(III) Notes and accounts receivable (related parties)

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Notes and accounts receivable	\$ 63,741	66,079	37,412
Accounts receivable - related parties	11,595	6,376	85,194
Less: Allowance for losses	(723)	(723)	(723)
	<b>\$ 74,613</b>	<b>71,732</b>	<b>121,883</b>

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

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

	<b>2022.3.31</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average expected credit loss ratio</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	\$ 74,613	0.0000%	-
Overdue for more than 365 days	<u>723</u>	100%	<u>723</u>
	<b><u>\$ 75,336</u></b>		<b><u>723</u></b>
	<b>2021.12.31</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average expected credit loss ratio</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	\$ 71,732	0.0000%	-
Overdue for more than 365 days	<u>723</u>	100%	<u>723</u>
	<b><u>\$ 72,455</u></b>		<b><u>723</u></b>
	<b>2021.3.31</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average expected credit loss ratio</b>	<b>Allowance for lifetime expected credit losses</b>
Not past due	\$ 121,883	0.0000%	-
Overdue for more than 91 days	<u>723</u>	100%	<u>723</u>
	<b><u>\$ 122,606</u></b>		<b><u>723</u></b>

There was no change in the Group's allowance for notes receivable and accounts receivable during the three months ended March 31, 2022 and 2021. The relevant circumstances are as follows:

	<b>2022 Q1</b>	<b>2021 Q1</b>
Ending balance (i.e. opening balance)	<b><u>\$ 723</u></b>	<b><u>723</u></b>

(IV) Inventories

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Merchandise	\$ 203,473	120,060	166,236
Finished goods	1,183	1,706	648
Semi-finished goods	205,077	199,532	129,917
Work in process	164,704	150,411	234,108
Raw materials	<u>437,909</u>	<u>429,451</u>	<u>383,368</u>
	<b><u>\$ 1,012,346</u></b>	<b><u>901,160</u></b>	<b><u>914,277</u></b>

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

The costs of inventories recognized in cost of goods sold during the three months ended March 31, 2022 and 2021 were NT\$491,755,000 and NT\$477,714,000, respectively. In the first quarter of 2022, due to the disposal of obsolete inventories, the gains on inventory value recoveries NT\$18,089,000 were recognized only to the extent that the original inventories were written down to the net realizable value, recognized in inventory valuation loss. In the first quarter of 2021, as the inventories were written down to the net realizable value, an amount of NT\$3,747,000 was recognized in inventory valuation loss, and both of the amounts were accounted for under operating costs.

(V) Investments accounted for using the equity method

	<b>2021.3.31</b>
Closing book value of associates	<u><u>\$ 132,468</u></u>

The Group does not have any individually material associate, so the aggregate information on the Group's share of loss on associates is disclosed as follows:

	<b>2021 Q1</b>
Net loss for this period	\$ (20,012)
Other comprehensive income	<u>(3,941)</u>
Total comprehensive income	<u><u>\$ (23,953)</u></u>

As of March 31, 2022 and 2021, the Group did not have any associate invested using the equity method.

In the first quarter of 2021, an associate invested using the equity method issued new shares to acquire and merge its subsidiary, so that the Group's shareholding in the associate decreased from 30.74% to 28.97%, and the change in the net value of equity was recognized in changes in investments in associates accounted for using the equity method in the amount of NT\$37,626,000.

The Group's share of loss and other comprehensive income of investments using the equity method during the three months ended March 31, 2021 was calculated based on the financial statements for the same period that have not been reviewed by a CPA.

(VI) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportatio n equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying amount:							
March 31, 2022	<u>\$ 147,478</u>	<u>46,890</u>	<u>29,636</u>	<u>3,509</u>	<u>343</u>	<u>13,787</u>	<u>241,643</u>
January 1, 2022	<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>
March 31, 2021	<u>\$ 147,478</u>	<u>46,987</u>	<u>32,980</u>	<u>4,140</u>	<u>416</u>	<u>16,103</u>	<u>248,104</u>

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

There was no significant addition, disposal, provision for impairment, or reversal of the Group's property, plant and equipment during the three months ended March 31, 2022 and 2021. Please refer to the depreciation amount for the current period. Please refer to Note 12(1) for the depreciation amount in this period. Please refer to Note 6(6) to the 2021 consolidated financial statements for other relevant information. Please refer to Note 8 for the details of the machinery and equipment used by the Group as collateral for borrowings from non-financial institutions.

(VII) Right-of-use assets

	<b>Buildings</b>
Cost of right-of-use assets:	
Balance on January 1, 2022	\$ 137,776
Additions	9,019
Lease modification	680
Decrease	(17,951)
Balance on March 31, 2022	<b><u>\$ 129,524</u></b>
Balance on January 1, 2021	\$ 82,425
Additions	1,126
Lease modification	170
Balance on March 31, 2021	<b><u>\$ 83,721</u></b>
Accumulated depreciation of right-of-use assets:	
Balance on January 1, 2022	\$ 86,265
Depreciation in this period	8,018
Decrease	(17,951)
Balance on March 31, 2022	<b><u>\$ 76,332</u></b>
Balance on January 1, 2021	\$ 57,917
Depreciation in this period	7,277
Balance on March 31, 2021	<b><u>\$ 65,194</u></b>
Book value:	
January 1, 2022	<b><u>\$ 51,511</u></b>
March 31, 2022	<b><u>\$ 53,192</u></b>
March 31, 2021	<b><u>\$ 18,527</u></b>



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

(VIII) Intangible assets

	<u>Computer software</u>
Carrying amount:	
March 31, 2022	<u>\$ 9,675</u>
January 1, 2022	<u>\$ 7,765</u>
March 31, 2021	<u>\$ 9,009</u>

There was no significant addition, disposal, provision for impairment, or reversal of the Group's intangible assets during the three months ended March 31, 2022 and 2021. Please refer to the depreciation amount for the current period. Please refer to Note 12(1) for the amortization amount in this period. Please refer to Note 6(8) to the 2021 consolidated financial statements for other relevant information.

(IX) Long-term borrowings

<b>2022.3.31</b>				
	<u>Currency</u>	<u>Interest rate range</u>	<u>Year in which borrowings are due</u>	<u>Amount</u>
Secured borrowings from non-financial institutions	NTD	3.79%	2020~2022	\$ 1,226
Less: The current portion				(1,226)
Total				<u>\$ -</u>
Facilities undrawn				<u>\$ -</u>
<b>2021.12.31</b>				
	<u>Currency</u>	<u>Interest rate range</u>	<u>Year in which borrowings are due</u>	<u>Amount</u>
Secured borrowings from non-financial institutions	NTD	3.79%	2020~2022	\$ 1,751
Less: The current portion				(1,751)
Total				<u>\$ -</u>
Facilities undrawn				<u>\$ -</u>
<b>2021.3.31</b>				
	<u>Currency</u>	<u>Interest rate range</u>	<u>Year in which borrowings are due</u>	<u>Amount</u>
Secured borrowings from non-financial institutions	NTD	3.79%	2020~2022	\$ 3,327
Less: The current portion				(2,101)
Total				<u>\$ 1,226</u>
Facilities undrawn				<u>\$ -</u>

1. Increase in and repayment of borrowings

It is a loan from subsidiary Flexbasis from Shinshin Credit Corporation (a subsidiary of Taiwan Acceptance Corporation) in 2019. The amounts repaid during the three months ended March 31, 2022 and 2021 were NT\$525,000 in both periods. Please refer to Note 6(17) for details of interest expenses.

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

2. Collateral for borrowings from non-financial institutions

Please refer to Note 8 for the details of subsidiary Flexbasis's assets pledged as collateral for the above-mentioned loan.

(X) Lease liabilities

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

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Current	\$ <b>21,563</b>	<b>22,898</b>	<b>15,492</b>
Non-current	\$ <b>31,629</b>	<b>28,629</b>	<b>3,225</b>

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

	<b>2022 Q1</b>	<b>2021 Q1</b>
Interest expenses on lease liabilities	\$ <b>138</b>	<b>97</b>
Short-term lease expenses	\$ <b>81</b>	<b>9</b>
COVID-19-related rent concessions	\$ <b>56</b>	<b>-</b>

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

	<b>2022 Q1</b>	<b>2021 Q1</b>
Total cash outflow from leases	\$ <b>8,253</b>	<b>7,407</b>

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

The Group leases parking spaces for scooters, and these leases are low-value leases. The Group elects to apply recognition exemptions and does not recognize its relevant right-of-use assets and lease liabilities.

(XI) Employee benefits

1. Defined benefit plan

As there were no major market fluctuation, major reduction, settlement, or other major one-off events after the balance sheet date of the prior year, the Group measured and disclosed pension costs for interim periods at the actuarially determined pension costs on December 31, 2021 and 2020.

The details of pension expenses under the Group's defined benefit plan are as follows:

	<b>2022 Q1</b>	<b>2021 Q1</b>
Operating costs	\$ <b>33</b>	<b>68</b>
Operating expenses	<b>77</b>	<b>81</b>
	\$ <b>110</b>	<b>149</b>

2. Defined contribution plan

The details of pension expenses under the Group's defined contribution plan are as follows:

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

	<u>2022 Q1</u>	<u>2021 Q1</u>
Operating costs	\$ 860	781
Operating expenses	<u>1,987</u>	<u>1,895</u>
	<u><b>\$ 2,847</b></u>	<u><b>2,676</b></u>

(XII) Income tax

1. The details of the Group's income tax expenses are as follows:

	<u>2022 Q1</u>	<u>2021 Q1</u>
Income tax expenses	<u>\$ 4,242</u>	<u>13,491</u>

2. The details of income tax expenses recognized by the Group in other comprehensive income are as follows:

	<u>2022 Q1</u>	<u>2021 Q1</u>
Financial assets at fair value through other comprehensive income	<u>26,214</u>	<u>-</u>

3. The Company's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2020.

(XIII) Capital and other equity

Except as stated below, there was no significant change in the Group's capital and other equity during the three months ended March 31, 2022 and 2021. Please refer to Note 6(14) to the 2021 consolidated financial statements for relevant information.

Earnings distribution:

As per the Articles of Incorporation, the Company shall pay the tax first to make up for the previous losses if there are any earnings in the Company's annual general final accounts, and it shall then set aside 10% of the legal reserve. However, it may not set aside when the legal reserve has reached the amount of the paid-in capital of the Company. Furthermore, after the special reserve is set aside or reversed depending on the needs or as per laws and regulations, any remaining profit, together with any cumulative undistributed earnings, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution.

The Board of Directors made an earnings distribution proposal for 2021 on March 17, 2022 and the general shareholders' meeting passed a resolution for the earnings distribution proposal on July 15, 2021. The dividends distributed to owners are as follows:

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

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

The 2021 earnings distribution proposal is pending a resolution at the shareholders' meeting. Relevant information is available on the Market Observation Post System (MOPS).

(XIV) Earnings per share

1. Basic earnings per share

	<u>2022 Q1</u>	<u>2021 Q1</u>
Net income attributable to holders of the Company's ordinary shares	<u>\$ 13,216</u>	<u>42,187</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<u>58,685</u>	<u>58,685</u>
Basic earnings per share (NTD)	<u>\$ 0.23</u>	<u>0.72</u>

2. Diluted earnings per share

	<u>2022 Q1</u>	<u>2021 Q1</u>
Net income attributable to holders of the Company's ordinary shares	<u>\$ 13,216</u>	<u>42,187</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685
The effect of employee remuneration	609	796
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilutive ordinary shares)	<u>59,294</u>	<u>59,481</u>
Diluted earnings per share (NTD)	<u>\$ 0.22</u>	<u>0.71</u>

(XV) Revenue from customer contracts

1. Breakdown of income

	<u>2022 Q1</u>	<u>2021 Q1</u>
Major sales market:		
Taiwan	\$ 479,392	486,462
Germany	19,720	89,528
Sweden	16,769	27,747
U.S.	21,713	4,731
Others	9,069	11,791
Total	<u>\$ 546,663</u>	<u>620,259</u>
Main product/service lines:		
Business computer	\$ 433,865	407,794
Rugged computer	94,995	175,548
Repair and maintenance services and others	17,803	36,917
	<u>\$ 546,663</u>	<u>620,259</u>

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

2. Contract balance

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Notes and accounts receivable	\$ 75,336	72,455	122,606
Less: Allowance for losses	(723)	(723)	(723)
Total	<u>\$ 74,613</u>	<u>71,732</u>	<u>121,883</u>
Contract liabilities (including related parties)	<u>\$ 278,501</u>	<u>263,911</u>	<u>278,463</u>

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

The contract liabilities mainly arise from advances received from the sales of rugged computers, which will be reclassified to revenue when the Group delivers the products to clients. The opening balances of contract liabilities as at January 1, 2022 and 2021 recognized in income for the three months ended March 31, 2022 and 2021 were NT\$34,819,000 and NT\$26,387,000, respectively.

(XVI) Remuneration to employees and directors

As per the Company's Articles of Incorporation, if it makes a profit for a year, it shall allocate 5% to 10% of the profit as employee remuneration and no more than 3% as directors' remuneration. However, it shall reserve an amount to compensate a deficit in advance if the Company has a cumulative deficit. The recipients of the employee remuneration in stock or cash in the preceding paragraph include employees at subsidiaries who meet certain criteria.

The estimated amounts of the Company's employee remuneration for the three months ended March 31, 2022 and 2021 were NT\$1,782,000 and NT\$5,708,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$357,000 and NT\$1,144,000, respectively. The amounts were estimated based on the Company's net income before tax before the remuneration to employees and directors was deducted for each period, multiplied by the percentages of the profit for employee and directors' remuneration as stipulated in the Company's Articles of Incorporation, and the amounts were recognized in operating costs or operating expenses for the period. If there is a difference between the amounts distributed in the following year and the estimated amounts, it will be treated as a change in accounting estimates, and the difference will be recognized in profit and loss for the following year.

The estimated amounts of the Company's 2021 and 2020 employee remuneration were NT\$42,242,000 and NT\$44,522,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$7,312,000 and NT\$8,923,000, respectively.

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

The amounts are the same as those resolved by the Board of Directors and all were distributed in cash. Relevant information is available on the MOPS.

(XVII) Non-operating income and expenses

1. Interest income

The details of the Group's interest income are as follows:

	<u>2022 Q1</u>	<u>2021 Q1</u>
Interest income from cash in banks	\$ 487	511
Other interest income	1,738	1,347
Total interest income	<u><u>\$ 2,225</u></u>	<u><u>1,858</u></u>

2. Other income

	<u>2022 Q1</u>	<u>2021 Q1</u>
COVID-19-related rent concessions	\$ 56	-
Others	598	969
Total	<u><u>\$ 654</u></u>	<u><u>969</u></u>

3. Other gains and losses

	<u>2022 Q1</u>	<u>2021 Q1</u>
Foreign exchange gains (losses)	\$ 6,045	(2,394)
Gain on disposal of property, plant and equipment	44	-
Net gain on financial assets at fair value through profit or loss	69	93
Others	-	(9)
	<u><u>\$ 6,158</u></u>	<u><u>(2,310)</u></u>

4. Financial cost

	<u>2022 Q1</u>	<u>2021 Q1</u>
Interest expense:		
Borrowings from non-financial institutions	\$ (26)	(34)
Lease liabilities	(138)	(97)
Others	(3)	-
	<u><u>\$ (167)</u></u>	<u><u>(131)</u></u>

(XVIII) Financial instruments

Except as stated below, there was no significant change in the fair value of the Group's financial instruments and exposure to credit risk, liquidity risk, and market risk due to the financial instruments held. Please refer to Note 6(19) for relevant information.

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

1. Types of financial instruments

(1) Financial assets

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Financial assets at fair value through profit or loss - current:			
Money funds	\$ 120,134	120,065	260,129
Financial assets at fair value through other comprehensive income - non-current:			
Unlisted stocks	24,683	24,683	23,431
Overseas listed stocks	830,408	699,339	-
Financial assets at amortized cost:			
Cash and cash equivalents	397,929	500,086	363,911
Notes and accounts receivable (related parties)	74,613	71,732	121,883
Other financial assets - current	246,020	246,020	255,020
Other current assets - guarantee deposits paid	5,482	5,600	5,080
<b>Total</b>	<b><u>\$ 1,699,269</u></b>	<b><u>1,667,525</u></b>	<b><u>1,029,454</u></b>

(2) Financial liabilities

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Financial liabilities at amortized cost:			
Borrowings from non-financial institutions	1,226	1,751	3,327
Lease liabilities	53,192	51,527	18,717
Payables	231,926	246,906	277,262
<b>Total</b>	<b><u>\$ 286,344</u></b>	<b><u>300,184</u></b>	<b><u>299,306</u></b>

2. Exchange rate risk

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

	<u>2022.3.31</u>			<u>2021.12.31</u>			<u>2021.3.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary item</u>									
USD	\$ 6,100	28.63	174,643	5,363	27.68	148,448	4,544	28.54	129,686
<u>Financial liabilities</u>									
<u>Monetary item</u>									
USD	21	28.63	601	9	27.68	249	69	28.54	1,969

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

The Group's exchange rate risk mainly comes from cash and cash equivalents, accounts receivable (including related parties), accounts payable, and other payables (including related parties) in foreign currencies, and foreign exchange gains and losses arise during translation. If the NTD depreciated or appreciated by 1% against USD, with all other variables remaining unchanged, the Group's net income before tax for the three months ended March 31, 2022 and 2021 would have increased or decreased by NT\$1,740,000 and NT\$1,277,000, respectively. The same basis was used for analyses for both periods.

The exchange gains and losses of the Group's monetary items mainly arose from the translation of foreign currency transactions in USD into NTD. As of March 31, 2022, December 31, 2021, and March 31, 2021, the unrealized exchange (gains) losses on foreign currency transactions in USD are as follows:

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Unrealized foreign exchange losses (gains) at the end of the period	\$ (2,572)	1,917	301
Exchange rate at the end of the period	28.63	27.68	28.54

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

### 3. Fair value information

#### (1) Financial instruments not at fair value

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

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

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The fair value levels are defined as follows:

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



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

<b>2022.3.31</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss - current:					
Money funds	<u>\$ 120,134</u>	<u>120,134</u>	<u>-</u>	<u>-</u>	<u>120,134</u>
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 24,683	-	-	24,683	24,683
Overseas stocks	830,408	830,408	-	-	830,408
	<u>\$ 855,091</u>	<u>830,408</u>	<u>-</u>	<u>24,683</u>	<u>855,091</u>
<b>2021.12.31</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss - current:					
Money funds	<u>\$ 120,065</u>	<u>120,065</u>	<u>-</u>	<u>-</u>	<u>120,065</u>
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 24,683	-	-	24,683	24,683
Overseas stocks	699,339	699,339	-	-	699,339
Total	<u>\$ 724,022</u>	<u>699,339</u>	<u>-</u>	<u>24,683</u>	<u>724,022</u>
<b>2021.3.31</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss - current:					
Money funds	<u>\$ 260,129</u>	<u>260,129</u>	<u>-</u>	<u>-</u>	<u>260,129</u>
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	<u>\$ 23,431</u>	<u>-</u>	<u>-</u>	<u>23,431</u>	<u>23,431</u>

There were no transfers of financial assets and liabilities within the fair value hierarchy during the three months ended March 31, 2022 and 2021

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

When the quoted market price of a financial instrument is available, the price shall be adopted as the fair value.

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

Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Company refers to the current fair value of other financial instruments

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

with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the balance sheet date.

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

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

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

Quantitative information on significant unobservable inputs is listed as follows:

Item	Valuation technique	Significant unobservable input	Relations between significant unobservable input and fair value
Financial assets at fair value through other comprehensive income - unlisted stocks	Discounted cash flow method	• Cost of equity capital (8.55%, 8.55%, and 9.30% as at March 31, 2022, December 31, 2021, and March 31, 2021, respectively)	• The higher the cost of equity capital, the lower the fair value

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

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

			Changes in fair value reflected in other comprehensive income	
		Increase or decrease change	Favorable change	Unfavorabl e change
<b>March 31, 2022</b>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 156</u>	<u>154</u>
<b>December 31, 2021</b>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>156</u>	<u>154</u>
<b>March 31, 2021</b>				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 146</u>	<u>144</u>

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

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

## (XIX) Financial risk management

There is no significant difference between the Group's financial risk management goals and policies and those disclosed in Note 6 (20) to the 2021 consolidated financial statements.

## (XX) Capital management

The Group's capital management goals, policies, and procedures are consistent with those disclosed in the 2021 consolidated financial statements. There was no significant difference between the aggregate quantitative data on items under capital management and those disclosed in the 2021 consolidated financial statements. Please refer to Note 6(21) of the 2021 consolidated financial statements for relevant information.

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

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

	<b>2021.1.1</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>2022.3.31</b>
			<b>Additions</b>	<b>Decrease</b>	
Long-term borrowings (including the current portion)	\$ 1,751	(525)	-	-	1,226
Lease liabilities	51,527	(8,034)	9,699	-	53,192
Total liabilities from financing activities	<b>\$ 53,278</b>	<b>(8,559)</b>	<b>9,699</b>	<b>-</b>	<b>54,418</b>
	<b>2021.1.1</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>2022.3.31</b>
			<b>Additions</b>	<b>Decrease</b>	
Long-term borrowings (including the current portion)	\$ 3,852	(525)	-	-	3,327
Lease liabilities	24,722	(7,301)	1,296	-	18,717
Total liabilities from financing activities	<b>\$ 28,574</b>	<b>(7,826)</b>	<b>1,296</b>	<b>-</b>	<b>22,044</b>

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

**VII. Related-Party Transactions**

(I) Name of related party and relations

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

<b>Name of related party</b>	<b>Relations with the Group</b>
MilDef Group AB	(Note)
Mildef Products AB	Subsidiary of MilDef Group AB (Note)
MilDef Ltd.	Subsidiary of MilDef Group AB (Note)
MilDef Inc.	Subsidiary of MilDef Group AB (Note)
Roda Computer GmbH	The Group is one of the company's three shareholders

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

(II) Significant Transactions with Related Parties

1. Operating revenue

	<b>2022 Q1</b>	<b>2021 Q1</b>
Associate	\$ -	33,799
Other related parties		
Roda Computer GmbH	19,720	89,529
	<b>\$ 19,720</b>	<b>123,328</b>

The Group's sales conditions to related parties are not significantly different from those to general clients, and the payment term is about 30 to 60 days.

2. Accounts receivable from related parties

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Associate			
MilDef Ltd.	\$ -	-	671
MilDef Products AB	-	-	24,034
MilDef Inc.	-	-	4,348
Other related parties			
Roda Computer GmbH	11,595	6,376	56,141
	<b>\$ 11,595</b>	<b>6,376</b>	<b>85,194</b>

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

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Associate	\$ -	-	12,094
Other related parties			
Roda Computer GmbH	90,681	76,680	93,683
	<u>\$ 90,681</u>	<u>76,680</u>	<u>105,777</u>

4. Repair and maintenance and other operating revenue

	<u>2022 Q1</u>	<u>2021 Q1</u>
Associate	\$ -	432
Other related parties	732	3,086
	<u>\$ 732</u>	<u>3,518</u>

All receivables from the above transactions have been received.

5. Technical service fees, repair and maintenance fees, and other payables

	<b>Technical service fees, repair and maintenance fees, and others</b>		<b>Other payables to related parties</b>		
	<u>2022 Q1</u>	<u>2021 Q1</u>	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Associate	\$ -	1,313	-	-	1,313
Other related parties	314	102	54	-	-
	<u>\$ 314</u>	<u>1,415</u>	<u>54</u>	<u>-</u>	<u>1,313</u>

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	<u>2022 Q1</u>	<u>2021 Q1</u>
Short-term employee benefits	\$ 3,752	4,200
Post-employment benefits	27	26
	<u>\$ 3,779</u>	<u>4,226</u>

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

**VIII. Assets pledged**

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

<b>Name of asset</b>	<b>Item pledged as collateral</b>	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Time deposit	Customs guarantee	\$ 200	200	200
Property, plant and equipment	Borrowings from non-financial institutions	6,180	6,384	17,063
		<b>\$ 6,380</b>	<b>6,584</b>	<b>17,263</b>

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

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

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

**XII. Others**

(I) Employee benefits and depreciation and amortization expense are summarized by function as follows:

<b>By function</b>	<b>2022 Q1</b>			<b>2021 Q1</b>		
<b>By nature</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefits						
Salary and wages	16,405	34,010	50,415	17,750	36,164	53,914
Labor and health insurance	1,903	4,016	5,919	1,770	3,924	5,694
Pension	893	2,064	2,957	849	1,976	2,825
Other employee benefits	171	457	628	214	566	780
Depreciation expense	4,664	7,674	12,338	4,775	7,203	11,978
Amortization expense	219	1,051	1,270	9	965	974

(II) Seasonality of operations

The Group's operations are not materially affected by seasonal or cyclical factors.

**XIII. Additional Disclosures**

(I) Information on Material Transactions

The material transactions during the three months ended March 31, 2022 the Group needs to disclose in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

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

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

Unit: In thousands of shares/thousands of units/thousands of NTD

Company	Type and name of securities held	Relations with the securities issuer	Account	End of the period				Remark
				Number of shares	Carrying amount	Shareholding	Fair value/ Net worth	
The Company	Shares of Roda Computer GmbH	The Company is one of the company's three shareholders	Financial assets at fair value through other comprehensive income - non-current	-	23,683	8.00%	23,683	
The Company	Shares of Alliance Technology Co., Ltd.	-	"	100	1,000	0.79%	1,000	
The Company	Shares of MilDef Group AB		"	4,356	830,408	11.97%	830,408	
The Company	UPAMC James Bond Money Market Fund		Financial assets at fair value through profit or loss - current	2,372	40,047	-	40,047	
The Company	Hua Nan Phoenix Money Market Fund		"	1,219	20,025	-	20,025	
The Company	Fuh Hwa Money Market Fund	-	"	1,374	20,018	-	20,018	
The Company	Hua Nan Kirin Money Market Fund		"	1,655	20,018	-	20,018	
The Company	Jih Sun Money Market Fund		"	1,335	20,026	-	20,026	

4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT\$300 Million or 20% of the Paid-in Capital: None.

5. Acquisition of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.

6. Disposal of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.

7. Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: None.

8. Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: None.

9. Trading in Derivative Instruments: None.

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

No. (Note 1)	Name of trader	Transaction counterparty	Relations with transaction counterparty (Note 2)	Transaction details			
				Account	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets
1	Flexbasis	The Company	2	Accounts receivable	3,500	Net 60 days at the end of the following month	0.11
1	Flexbasis	The Company	2	Sales income	10,247	Net 60 days end of the following month	1.87

Note 1: Businesses are coded as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: The types of relations with the counterparty are indicated as follows:

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

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

### (II) Information on Investees:

The information on the Group's investees during the three months ended March 31, 2022

Unit: In thousands of shares/thousands of NTD

Name of investor	Name of investee	Location	Main business	Initial investment amount		End of the period			Gain or loss on investee in this period	Investment income or loss recognized in this period	Remark
				End of this period	End of last year	Number of shares	Percentage	Carrying amount			
The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing	27,208	27,208	2,416	65.30%	30,0	3,745	2,445	(Note 1)

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

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

### (IV) Information on Major Shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding
Yi- Tong Shen		3,126,244	5.32%

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

## XIV. Segment Information

The Group mainly engages in the production and sales of various computer software, hardware, and peripherals. The operating financial information provided to the operating decision makers for review covers a single segment, and the accounting policies adopted by the Group's operating segment are consistent with the summary of significant accounting policies described in Note 4. The operating segment's income or loss is measured based on the operating income or loss before tax, which serves as the basis for evaluating performance. The segment's revenue, income or loss, and total assets under the Group are consistent with those in presented in the financial statements. Please refer to the consolidated balance sheet and the consolidated statements of comprehensive income.