

Mildef Crete Inc. and Its Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021

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Notice to Reader:

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

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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 September 30, 2022 and 2021; the relevant consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, and the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 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

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.

Conclusion

According to our review results, 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 September 30, 2022 and 2021 as well as consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, and consolidated cash flows for nine months ended September 30, 2022 and 2021.

KPMG Taiwan

CPA:

Wei-Ming Shi

Mei-Yan Chen

Competent Securities Authority's
Approval Document No.
November 2, 2022

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

**Reviewed only on September 30, 2022 and 2021 and not audited in accordance with the generally
accepted auditing standards in the Republic of China**
Mildef Crete Inc. and Its Subsidiaries

Consolidated Balance Sheets

As of September 30, 2022, December 31, 2021, and September 30, 2021

Unit: NT \$1000

		2022.9.30		2021.12.31		2021.9.30				2022.9.30		2021.12.31		2021.9.30	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6 (1))	\$ 189,967	6	500,086	17	486,447	17	2130	Contract liabilities - current (Notes 6 (15) and 7)	\$ 246,467	9	263,911	9	265,746	9
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	-	-	120,065	4	90,012	3	2150	Notes payable	21,837	-	24,588	1	30,215	1
1150	Notes and accounts receivable, net (Note 6 (3) and (15))	135,552	5	65,356	2	114,344	4	2170	Accounts payable	141,183	5	106,155	3	121,053	4
1180	Accounts receivable - related parties, net (Note 6 (3), (15) and (7))	58,788	2	6,376	-	53,609	2	2209	Accrued expenses (Note 6 (16))	79,598	3	116,163	4	131,123	5
130X	Inventories (Note 6 (4))	1,100,888	38	901,160	31	838,768	29	2220	Other payables-related party (Note 7)	109	-	-	-	91	-
1476	Other financial assets - current (Note 6 (1))	206,100	7	246,020	8	246,020	9	2230	Current income tax liabilities	31,925	1	58,919	2	3,303	-
1479	Other current assets	21,853	1	19,960	1	22,926	1	2280	Lease liabilities-current (Note 6 (10))	26,060	1	22,898	1	16,367	1
Total current assets		1,713,148	59	1,859,023	63	1,852,126	65	2399	Other current liabilities	721	-	392	-	542	-
Non-current assets:								2322	Long-term loans due within one year (Notes 6 (9) and 8)	175	-	1,751	-	2,101	-
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))	804,718	28	724,022	25	658,565	23	Total		548,075	19	594,777	20	570,541	20
1600	Property, plant and equipment (Notes 6 (6) and 8)	243,072	8	242,238	8	243,492	9	Non-current liabilities:							
1755	Right-of-use assets (Note 6 (7))	53,526	2	51,511	2	18,799	1	2540	Long-term loans (Notes 6 (9) and 8)	-	-	-	-	175	-
1780	Intangible assets (Note 6 (8))	8,213	-	7,765	-	9,072	-	2552	Provisions for warranty liabilities	7,237	-	4,535	-	5,144	-
1840	Deferred income tax assets	68,010	3	68,010	2	66,487	2	2570	Deferred income tax liabilities	153,195	5	137,055	5	162,376	6
1990	Other non-current assets (Note 8)	5,736	-	5,600	-	6,032	-	2580	Lease liabilities-non-current (Note 6 (10))	27,619	1	28,629	1	2,515	-
Total non-current assets		1,183,275	41	1,099,146	37	1,002,447	35	2640	Net defined benefit liabilities — non-current	45,040	2	52,983	2	55,507	2
								Total non-current liabilities		233,091	8	223,202	8	225,717	8
								Total		781,166	27	817,979	28	796,258	28
								Equity attributed to owners of the parent company (Notes 6 (5) and (13)):							
								3110	Ordinary share capital	586,855	20	586,855	20	586,855	21
								3200	Capital surplus	72,650	3	72,650	2	72,650	2
								3300	Retained earnings	1,270,451	44	1,361,658	46	1,333,281	47
								3400	Other equity	169,611	6	105,054	4	51,087	2
										2,099,567	73	2,126,217	72	2,043,873	72
								36xx	Non-controlling interests	15,690	-	13,973	-	14,442	-
								Total equity		2,115,257	73	2,140,190	72	2,058,315	72
Total		\$ 2,896,423	100	2,958,169	100	2,854,573	100	Total liabilities and equity		\$ 2,896,423	100	2,958,169	100	2,854,573	100

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

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

Mildef Crete Inc. and Its Subsidiaries

For the Three Months and Nine Months Ended September 30, 2022 and 2021

For the Three Months Ended September 30, 2022			For the Three Months Ended September 30, 2021		For the Nine Months Ended September 30, 2022		For the Nine Months Ended September 30, 2021	
Amount	%		Amount	%	Amount	%	Amount	%
\$ 761,576	100		822,663	100	2,007,027	100	2,301,951	100
600,815	79		623,261	76	1,642,599	82	1,787,543	78
160,761	21		199,402	24	364,428	18	514,408	22
-	-		-	-	-	-	(4,488)	-
160,761	21		199,402	24	364,428	18	518,896	22
45,606	6		43,225	5	130,009	6	139,935	6
12,523	2		7,311	1	28,210	2	42,844	2
16,796	2		13,377	2	49,742	2	54,951	2
74,925	10		63,913	8	207,961	10	237,730	10
85,836	11		135,489	16	156,467	8	281,166	12
2,342	-		2,445	1	6,830	-	6,262	-
839	-		287	-	10,820	1	1,315	-
10,481	2		874	-	20,740	1	(4,550)	-
-	-		-	-	-	-	(24,862)	(1)
-	-		-	-	-	-	496,607	22
(238)	-		(113)	-	(606)	-	(359)	-
13,424	2		3,493	1	37,784	2	474,413	21
99,260	13		138,982	17	194,251	10	755,579	33
21,171	2		20,158	3	61,468	3	139,112	6
78,089	11		118,824	14	132,783	7	616,467	27
56,306	7		105,110	13	80,697	4	101,538	4
11,262	2		21,022	2	16,140	1	20,308	-
45,044	5		84,088	11	64,557	3	81,230	4
-	-		-	-	-	-	14,798	-
-	-		-	-	-	-	-	-
-	-		-	-	-	-	14,798	-
45,044	5		84,088	11	64,557	3	96,028	4
\$ 123,133	16		202,912	25	197,340	10	712,495	31
\$ 76,839	11		118,763	14	125,930	7	609,815	27
1,250	-		61	-	6,853	-	6,652	-
\$ 78,089	11		118,824	14	132,783	7	616,467	27
\$ 121,883	16		202,851	25	190,487	10	705,843	31
1,250	-		61	-	6,853	-	6,652	-
\$ 123,133	16		202,912	25	197,340	10	712,495	31
\$ 1.31			2.02		2.15		10.39	
\$ 1.30			1.99		2.12		10.16	

Accounting Manager: Ya-Ping Liu

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

Consolidated statements of changes in equity
For the Nine Months Ended September 30, 2022 and 2021

Unit: NT \$1000

							Other Equity Items						
	Retained earnings					Share of the other comprehensive income (loss) of associates accounted for using the equity method	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Defined benefits plans remeasurement	Total	Total equity attributable to owners of the parent company	Non-control ling interests	Total equity	
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropri ated earnings								Total
Balance on January 1, 2021	\$ 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	-	-	-	-	609,815	609,815	-	-	-	-	609,815	6,652	616,467
Other comprehensive income/(loss)	-	-	-	-	-	-	14,798	81,230	-	96,028	96,028	-	96,028
Total amount of other current comprehensive gains and losses	-	-	-	-	609,815	609,815	14,798	81,230	-	96,028	705,843	6,652	712,495
Appropriation and distribution of earnings:													
Legal reserve	-	-	34,611	-	(34,611)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(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
Disposal of associates by equity method	-	(37,626)	-	-	-	-	-	-	-	-	(37,626)	-	(37,626)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,827)	(5,827)
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 September 30, 2021	\$ 586,855	72,650	456,181	44,942	832,158	1,333,281	-	71,447	(20,360)	51,087	2,043,873	14,442	2,058,315
Balance on January 1, 2022	\$ 586,855	72,650	456,181	44,942	860,535	1,361,658	-	124,064	(19,010)	105,054	2,126,217	13,973	2,140,190
Current net profit	-	-	-	-	125,930	125,930	-	-	-	-	125,930	6,853	132,783
Other comprehensive income/(loss)	-	-	-	-	-	-	-	64,557	-	64,557	64,557	-	64,557
Total amount of other current comprehensive gains and losses	-	-	-	-	125,930	125,930	-	64,557	-	64,557	190,487	6,853	197,340
Appropriation and distribution of earnings:													
Legal reserve	-	-	63,570	-	(63,570)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(44,942)	44,942	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(217,137)	(217,137)	-	-	-	-	(217,137)	-	(217,137)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,136)	(5,136)
Balance on September 30, 2022	\$ 586,855	72,650	519,751	-	750,700	1,270,451	-	188,621	(19,010)	169,611	2,099,567	15,690	2,115,257

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

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

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

Mildef Crete Inc. and Its Subsidiaries

Consolidated statements of cash flows

For the Nine Months Ended September 30, 2022 and 2021

Unit: NT \$1000

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Cash flows from operating activities:		
Net income before tax	\$ 194,251	755,579
Adjustments for:		
Profit and loss		
Depreciation expense	36,360	36,023
Amortization expense	3,902	3,346
Net gain on financial assets at fair value through profit or loss	(195)	(304)
Interest expense	606	359
Interest income	(6,830)	(6,262)
Dividend income	(9,130)	-
Share of loss of associates accounted for using the equity method	-	24,862
Gain on disposal of investments	-	(496,607)
Realized gain on sales of goods	-	(4,488)
Others	(48)	-
Total profit/(loss)	24,665	(443,071)
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	(70,196)	(90,991)
Accounts receivable from related parties	(52,412)	109,507
Inventories	(199,728)	23,200
Other current assets	(1,893)	1,006
Total net changes in assets related to operating activities	(324,229)	42,722
Net changes in liabilities related to operating activities		
Contract liabilities	(17,444)	43,413
Notes payable	(2,751)	(16,715)
Accounts payable	35,028	20,213
Other payable by related parties	109	(809)
Provisions for warranty liabilities	2,702	(2,652)
Accrued expenses and other current liabilities	(36,236)	16,539
Net defined benefit liabilities	(7,943)	(2,312)
Total amount of net changes in liabilities related to operating activities	(26,535)	57,677
Total amount of net changes in assets and liabilities related to operating activities	(350,764)	100,399
Total adjustments	(326,099)	(342,672)
Cash inflow (outflow) from operations	(131,848)	412,907
Interest received	6,830	6,262
Dividends received	-	17,606
Income tax paid	(88,462)	(101,689)
Net cash inflow (outflow) from operating activities	(213,480)	335,086
Cash flows from investing activities:		
Purchase of financial assets at fair value through profit or loss	-	(300,000)
Disposal of financial assets at fair value through profit or loss	120,260	330,327
Disposal of investments accounted for using the equity method	-	77,185
Acquisition of property, plant and equipment	(13,946)	(10,355)
Disposal of property, plant and equipment	152	-
(Increase) decrease in other non-current assets	(136)	(627)
Acquisition of intangible assets	(4,350)	(8,304)
Decrease in other financial assets - current	39,920	9,000
Dividends received	9,130	-
Net cash inflow from investing activities	151,030	97,226
Cash flows from financing activities:		
Decrease in short-term loans	(1,576)	-
Repayments of long-term loans	-	(1,576)
Payment of the principal portion of lease liabilities	(23,214)	(22,304)
Payments of cash dividends	(217,137)	(264,085)
Dividends paid to non-controlling interests	(5,136)	(5,827)
Non-controlling interests gained from subsidiaries	-	(6,857)
Interests paid	(606)	(359)
Net cash outflow of financing activities	(247,669)	(301,008)
Increase (decrease) in cash and cash equivalents in this period	(310,119)	131,304
Opening balance of cash and cash equivalents in the consolidated statements of cash flows	500,086	355,143
Closing balance of cash and cash equivalents in the consolidated statements of cash flows	\$ 189,967	486,447

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

Chairman: Yi-Tong Shen

Manager: Yi-Tong Shen

Accounting Manager: Ya-Ping Liu

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

Mildef Crete Inc. and Its Subsidiaries

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 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 November 2, 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”

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

The Group has evaluated to apply the following newly revised IFRSs effective since January 1, 2023, which will not cause any material impact on its consolidated financial statements.

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

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

(III) 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
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendments to IFRS 16 “Rules in a Sale and Leaseback 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the IAS 34 “Interim Financial Reporting” as endorsed and issued into

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

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		
			2022.9.30	2021.12.31	2021.9.30
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	65.3%	65.3%	65.3%

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.

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.

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

VI. Description of Significant Accounts

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

	2022.9.30	2021.12.31	2021.9.30
Cash on hand	\$ 377	382	377
Checking deposit and demand deposit	189,590	499,704	486,070
	<u>\$ 189,967</u>	<u>500,086</u>	<u>486,447</u>

The Group's bank time deposits with the initial duration of more than three months as of September 30, 2022, December 31, 2021, and September 30, 2021_were NT\$206,100,000, NT\$246,020,000, and NT\$246,020,000, respectively, which are recognized in other financial assets – current.

(II) Financial instruments

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

	2022.9.30	2021.12.31	2021.9.30
Money funds	\$ -	120,065	90,012

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

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

	2022.9.30	2021.12.31	2021.9.30
Unlisted stocks	\$ 24,683	24,683	23,431
Overseas stocks	780,035	699,339	635,134
Total	<u>\$ 804,718</u>	<u>724,022</u>	<u>658,565</u>

In June 2021, the Group disposed of partial shares of the investments accounted for the use of the equity method of an associate, Mildef Group AB, and had achieved the sale of gain on disposal of investments amounted to NT\$32,622,000. In addition, Mildef Group AB completed its initial public offering and was listed on the Nasdaq Stockholm stock exchange in Sweden. The aforementioned disposal and post-listing offering resulted in a decrease in the shareholding of the Group to 12.23%. After evaluation, it no longer had significant influence, so it was measured at fair value instead of using the equity method.

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

The difference between the book value of investments accounted for using the equity method was recognized as gain on disposal of investments amounted to NT\$463,985,000, and the remaining shares were transferred to financial assets at fair value through other comprehensive income - non-current.

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:

	2022.9.30			2021.12.31			2021.9.30		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
EUR	\$ 758	31.26	23,683	756	31.32	23,863	694	32.32	22,431
SEK	271,789	2.87	780,035	227,798	3.07	699,339	200,358	3.17	635,134

The Group did not dispose of its strategic investments during nine months ended September 30, 2022 and 2021 nor reclassify the cumulative gains and losses within equity during these periods.

As of September 30, 2022, December 31, 2021, and September 30, 2021, none of the Group's financial assets above had been pledged as collateral.

(III) Notes and accounts receivable (related parties)

	2022.9.30	2021.12.31	2021.9.30
Notes and accounts receivable	\$ 135,552	66,079	115,067
Accounts receivable - related parties	58,788	6,376	53,609
Less: Allowance for losses	-	(723)	(723)
	\$ 194,340	71,732	167,953

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:

	2022.9.30		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 154,320	0.00001%	-
Overdue for 1 to 30 days	40,010	0.000012%	-
Overdue for 31 to 60 days	10	0.01734%	-
	\$ 194,340		-

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

	2021.12.31		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 71,732	-	-
Overdue for more than 365 days	723	100%	723
	<u>\$ 72,455</u>		<u>723</u>

	2021.9.30		
	Carrying amount of notes and accounts receivable	Weighted average expected credit loss ratio	Allowance for lifetime expected credit losses
Not past due	\$ 151,159	-	-
Overdue for 1 to 30 days	16,787	0.00004%	-
Overdue for 31 to 60 days	7	0.00916%	-
Overdue for more than 365 days	723	100%	723
	<u>\$ 168,676</u>		<u>723</u>

The changes in the Group's allowance for notes receivable and accounts receivable during the nine months ended September 30, 2022 and 2021 are as follows:

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Opening balance	\$ 723	723
Amount written off due to irrecoverability for the year	(723)	-
Ending balance	<u>\$ -</u>	<u>723</u>

(IV) Inventories

	2022.9.30	2021.12.31	2021.9.30
Merchandise	\$ 270,430	120,060	100,827
Finished goods	4,103	1,706	946
Semi-finished goods	155,011	199,532	180,963
Work in process	273,494	150,411	139,358
Raw materials	397,850	429,451	416,674
	<u>\$ 1,100,888</u>	<u>901,160</u>	<u>838,768</u>

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

The costs of inventories recognized in profit and loss in the current period are as follows:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Costs of inventories sold	\$ 586,420	632,942	1,636,587	1,781,660
Inventory valuation loss (gain on reversal)	14,395	(9,681)	6,012	5,883
	\$ 600,815	623,261	1,642,599	1,787,543

The above inventory valuation loss (gain on reversal) refers to the inventory valuation loss recognized by the Group due to the write-down of the inventory to the net realizable value; or it is due to the fact that the inventory at the beginning of the period was disposed of in the current period, resulting in a decrease in the allowance for inventory valuation loss that should be recognized at the end of the period, so the gain on reversal occurred and was recognized under the accounts of operating costs.

(V) Investments accounted for using the equity method

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

	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021
Net loss for this period	\$ -	(24,862)
Total comprehensive income	<u>\$ -</u>	<u>(24,862)</u>

For the nine months ended September 30, 2022, 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 on associates during the nine months ended September 30, 2021 was calculated based on the financial statements for the same period that have not been reviewed by a CPA.

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

(VI) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying amount:							
September 30, 2022	\$ <u>147,478</u>	<u>46,200</u>	<u>27,618</u>	<u>2,901</u>	<u>320</u>	<u>18,555</u>	<u>243,072</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>
September 30, 2021	\$ <u>147,478</u>	<u>46,124</u>	<u>32,484</u>	<u>3,502</u>	<u>378</u>	<u>13,526</u>	<u>243,492</u>

There was no significant addition, disposal, provision for impairment, or reversal of the Group's property, plant and equipment during the nine months ended September 30, 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

	<u>Buildings</u>
Cost of right-of-use assets:	
Balance on January 1, 2022	\$ 137,776
Additions	30,844
Lease modification	680
Decrease	(31,866)
Balance on September 30, 2022	<u>\$ 137,434</u>
Balance on January 1, 2021	\$ 82,425
Additions	16,294
Lease modification	170
Decrease	(1,544)
Balance on September 30, 2021	<u>\$ 97,345</u>
Balance on January 1, 2022	\$ 86,265
Depreciation in this period	23,356
Decrease	(25,713)
Balance on September 30, 2022	<u>\$ 83,908</u>
Balance on January 1, 2021	\$ 57,917
Depreciation in this period	22,173
Decrease	(1,544)
Balance on September 30, 2021	<u>\$ 78,546</u>
Book value:	
January 1, 2022	<u>\$ 51,511</u>
September 30, 2022	<u>\$ 53,526</u>
September 30, 2021	<u>\$ 18,799</u>

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

(VIII) Intangible assets

	Computer software
Carrying amount:	
September 30, 2022	\$ <u><u>8,213</u></u>
January 1, 2022	\$ <u><u>7,765</u></u>
September 30, 2021	\$ <u><u>9,072</u></u>

There was no significant addition, disposal, provision for impairment, or reversal of the Group's intangible assets during the nine months ended September 30, 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

	2022.9.30		
	Currency	Interest rate range	Year in which borrowings are due
Secured borrowings from non-financial institutions	NTD	3.79%	2020~2022
Less: The current portion			\$ 175
Total			<u><u>\$(175)</u></u>
Facilities undrawn			<u><u>\$ -</u></u>

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

	2021.9.30		
	Currency	Interest rate range	Year in which borrowings are due
Secured borrowings from non-financial institutions	NTD	3.79%	2020~2022
Less: The current portion			\$ 2,276
Total			<u><u>\$(2,101)</u></u>
Facilities undrawn			<u><u>\$ 175</u></u>
			<u><u>\$ -</u></u>

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

1. Increase in and repayment of borrowings

It is a loan of subsidiary, Flexbasis, from Shinshin Credit Corporation (a subsidiary of Taiwan Acceptance Corporation) in 2019. The amounts repaid during the nine months ended September 30, 2022 and 2021 were NT\$1,576,000 in both periods. Please refer to Note 6(17) for details of interest expenses.

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:

	2022.9.30	2021.12.31	2021.9.30
Current	\$ 26,060	22,898	16,367
Non-current	\$ 27,619	28,629	2,515

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

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest expenses on lease liabilities	\$ 209	85	518	265
Short-term lease expenses	\$ 14	62	289	82
COVID-19-related rent concessions	\$ 98	180	200	180

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

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Total cash outflow from leases	\$ 24,021	22,651

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.

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

(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:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Operating costs	\$ 55	32	129	147
Operating expenses	55	117	201	301
	\$ 110	149	330	448

2. Defined contribution plan

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

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Operating costs	\$ 870	862	2,598	2,452
Operating expenses	1,907	1,813	5,835	5,532
	\$ 2,777	2,675	8,433	7,984

(XII) Income tax

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

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Current income tax expenses				
Income tax from current income	\$ 21,171	20,158	41,471	46,315
Unappropriated earnings	-	-	19,997	-
	21,171	20,158	61,468	46,315
Deferred income tax expenses	-	-	-	92,797
Income tax expenses	\$ 21,171	20,158	61,468	139,112

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

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

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Financial assets at fair value through other comprehensive income	\$ <u>11,262</u>	<u>21,022</u>	<u>16,140</u>	<u>20,308</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 nine months ended September 30, 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 general shareholders' meeting passed the resolutions for the 2021 and 2020 earnings distribution proposal on June 9, 2022 and July 15, 2021, respectively. The dividends distributed to owners are as follows:

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

Relevant information of the earnings distribution is available on the Market Observation Post System (MOPS).

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

(XIV) Earnings per share

1. Basic earnings per share

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Net income attributable to holders of the Company's ordinary shares	<u>\$ 76,839</u>	<u>118,763</u>	<u>125,930</u>	<u>609,815</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<u>58,685</u>	<u>58,685</u>	<u>58,685</u>	<u>58,685</u>
Basic earnings per share (NTD)	<u>\$ 1.31</u>	<u>2.02</u>	<u>2.15</u>	<u>10.39</u>

2. Diluted earnings per share

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Net income attributable to holders of the Company's ordinary shares	<u>\$ 76,839</u>	<u>118,763</u>	<u>125,930</u>	<u>609,815</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	58,685	58,685	58,685	58,685
The effect of employee remuneration	<u>476</u>	<u>1,109</u>	<u>666</u>	<u>1,339</u>
Weighted average number of outstanding ordinary shares (after adjustment for the effect of potentially dilutive ordinary shares)	<u>59,161</u>	<u>59,794</u>	<u>59,351</u>	<u>60,024</u>
Diluted earnings per share (NTD)	<u>\$ 1.30</u>	<u>1.99</u>	<u>2.12</u>	<u>10.16</u>

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

(XV) Revenue from customer contracts

1. Breakdown of income

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Major sales market:				
Taiwan	\$ 545,575	589,677	1,594,012	1,759,516
Germany	116,691	132,356	209,620	347,255
Sweden	32,348	47,601	68,685	90,210
U.S.	57,501	29,110	106,447	45,198
Others	9,461	23,919	28,263	59,772
Total	<u>\$ 761,576</u>	<u>822,663</u>	<u>2,007,027</u>	<u>2,301,951</u>
Main product/service lines:				
Business computer	\$ 491,302	492,244	1,440,294	1,462,812
Rugged computer	252,103	257,305	511,720	679,344
Repair and maintenance services and others	18,171	73,114	55,013	159,795
	<u>\$ 761,576</u>	<u>822,663</u>	<u>2,007,027</u>	<u>2,301,951</u>

2. Contract balance

	2022.9.30	2021.12.31	2021.9.30
Notes and accounts receivable (related parties)	\$ 194,340	72,455	168,676
Less: Allowance for losses	-	(723)	(723)
Total	<u>\$ 194,340</u>	<u>71,732</u>	<u>167,953</u>
Contract liabilities (including related parties)	<u>\$ 246,467</u>	<u>263,911</u>	<u>265,746</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 of January 1, 2022 and 2021 recognized in income for the nine months ended September 30, 2022 and 2021 were NT\$69,144,000 and NT\$80,485,000, respectively.

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

(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 and nine months ended September 30, 2022 and 2021 were NT\$10,398,000, NT\$0,000, NT\$19,746,000, and NT\$65,522,000, respectively, and the estimated amounts of directors' remuneration for the periods then ended were NT\$2,083,000, NT\$0,000, NT\$3,957,000 and NT\$13,132,000, 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. 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:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest income from cash in banks	\$ 638	487	1,837	1,546
Other interest income	1,704	1,958	4,993	4,716

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

Total interest income	\$	<u>2,342</u>	<u>2,445</u>	<u>6,830</u>	<u>6,262</u>
2.Other income					
		For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Dividend income	\$	-	-	9,130	-
COVID-19-related rent concessions		98	180	200	180
Others		741	107	1,490	1,135
Total	\$	<u>839</u>	<u>287</u>	<u>10,820</u>	<u>1,315</u>
3.Other gains and losses					
		For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Foreign exchange gains (losses)	\$	10,459	785	20,497	(4,845)
Net gain on financial assets at fair value through profit or loss		22	89	195	304
Others		-	-	48	(9)
	\$	<u>10,481</u>	<u>874</u>	<u>20,740</u>	<u>(4,550)</u>
4.Financial cost					
		For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Interest expense:					
Borrowings from non-financial institutions	\$	(26)	(28)	(78)	(94)
Lease liabilities		(209)	(85)	(518)	(265)
Others		(3)	-	(10)	-
	\$	<u>(238)</u>	<u>(113)</u>	<u>(606)</u>	<u>(359)</u>

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

(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.

1. Types of financial instruments

(1) Financial assets

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Financial assets at fair value through profit or loss - current:			
Money funds	\$ -	120,065	90,012
Financial assets at fair value through other comprehensive income - non-current:			
Unlisted stocks	24,683	24,683	23,431
Overseas listed stocks	780,035	699,339	635,134
Financial assets at amortized cost:			
Cash and cash equivalents	189,967	500,086	486,447
Notes and accounts receivable (related parties)	194,340	71,732	167,953
Other financial assets - current	206,100	246,020	246,020
Other current assets - guarantee deposits paid	<u>5,736</u>	<u>5,600</u>	<u>6,032</u>
Total	<u><u>\$ 1,400,861</u></u>	<u><u>1,667,525</u></u>	<u><u>1,655,029</u></u>

(2) Financial liabilities

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Financial liabilities at amortized cost:			
Borrowings from non-financial institutions	175	1,751	2,276
Lease liabilities	53,679	51,527	18,882
Payables	<u>242,727</u>	<u>246,906</u>	<u>282,482</u>
Total	<u><u>\$ 296,581</u></u>	<u><u>300,184</u></u>	<u><u>303,640</u></u>

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

2. Exchange rate risk

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

	2022.9.30			2021.12.31			2021.9.30			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>										
<u>Monetary item</u>										
USD	\$	6,479	31.75	205,708	5,363	27.68	148,448	7,429	27.85	206,898
<u>Financial liabilities</u>										
<u>Monetary item</u>										
USD		25	31.75	794	9	27.68	249	64	27.85	1,769

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 as of September 30, 2022 and 2021, with all other variables remaining unchanged, the Group's net income before tax for the nine months ended September 30, 2022 and 2021 would have increased or decreased by NT\$2,049,000 and NT\$2,051,000, 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 September 30, 2022, December 31, 2021 and September 30, 2021, the unrealized exchange (gains) losses on foreign currency transactions in USD are as follows:

	2022.9.30	2021.12.31	2021.9.30
Unrealized foreign exchange losses\$ (gains) at the end of the period	(15,276)	1,917	(519)
Exchange rate at the end of the period	31.75	27.68	27.85

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:

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

- 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).

2022.9.30					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 24,683	-	-	24,683	24,683
Overseas stocks	780,035	780,035	-	-	780,035
	\$ 804,718	780,035	-	24,683	804,718
2021.12.31					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss - current:					
Money funds	\$ 120,065	120,065	-	-	120,065
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	\$ 724,022	699,339	-	24,683	724,022
2021.9.30					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss - current:					
Money funds	\$ 90,012	90,012	-	-	90,012
Financial assets at fair value through other comprehensive income - non-current:					
Unlisted stocks	\$ 23,431	-	-	23,431	23,431
Overseas stocks	635,134	635,134	-	-	635,134
Total	\$ 658,565	635,134	-	23,431	658,565

There were no transfers of financial assets and liabilities within the fair value hierarchy during the nine months ended September 30, 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.

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

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 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 of 2022.9.30, 2021.12.31 and 2021.9.30, 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

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

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:

		Increase or decrease change	Changes in fair value reflected in other comprehensive income	
Input			Favorable change	Unfavorable change
September 30, 2022				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 156</u>	<u>154</u>
December 31, 2021				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>156</u>	<u>154</u>
September 30, 2021				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	Cost of equity capital	0.25%	<u>\$ 146</u>	<u>144</u>

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

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

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:

	<u>2022.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>2022.9.30</u>
			<u>Additions</u>	<u>Decrease</u>	
Long-term borrowings (including the current portion)	\$ 1,751	(1,576)	-	-	175
Lease liabilities	51,527	(23,214)	31,524	(6,158)	53,679
Total liabilities from financing activities	<u>\$ 53,278</u>	<u>(24,790)</u>	<u>31,524</u>	<u>(6,158)</u>	<u>53,854</u>

	<u>2021.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>2021.9.30</u>
			<u>Additions</u>	<u>Decrease</u>	
Long-term borrowings (including the current portion)	\$ 3,852	(1,576)	-	-	2,276
Lease liabilities	24,722	(22,304)	16,464	-	18,882
Total liabilities from financing activities	<u>\$ 28,574</u>	<u>(23,880)</u>	<u>16,464</u>	<u>-</u>	<u>21,158</u>

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:

<u>Name of related party</u>	<u>Relations with the Group</u>
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

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

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Associate	\$ -	-	-	58,895
Other related parties				
Roda Computer GmbH	115,493	132,356	206,329	347,255
	<u>\$ 115,493</u>	<u>132,356</u>	<u>206,329</u>	<u>406,150</u>

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

	2022.9.30	2021.12.31	2021.9.30
Other related parties			
Roda Computer GmbH	<u>\$ 58,788</u>	<u>6,376</u>	<u>53,609</u>

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

	2022.9.30	2021.12.31	2021.9.30
Other related parties			
Roda Computer GmbH	<u>\$ 48,730</u>	<u>76,680</u>	<u>77,750</u>

4. Repair and maintenance and other operating revenue

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Associate	\$ -	-	-	3,083
Other related parties	1,198	621	3,291	9,594
	<u>\$ 1,198</u>	<u>621</u>	<u>3,291</u>	<u>12,677</u>

All receivables from the above transactions have been received.

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

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

	Technical service fees, repair and maintenance fees, and others				Other payables to related parties		
	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021	2022.9.30	2021.12.31	2021.9.30
Associate	\$ -	-	-	4,184	-	-	-
Other related parties	272	418	798	724	109	-	91
	\$ 272	418	798	4,908	109	-	91

(III) Remuneration to key management personnel

Remuneration to key management personnel includes:

	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Short-term employee benefits	\$ 4,291	1,797	11,315	17,010
Post-employment benefits	27	27	81	80
	\$ 4,318	1,824	11,396	17,090

VIII. Assets pledged

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

Name of asset	Item pledged as collateral	2022.9.30	2021.12.31	2021.9.30
Time deposit	Customs guarantee i	\$ 200	200	200
Property, plant and equipment	Borrowings from non-financial institutions	5,773	6,384	6,588
		\$ 5,973	6,584	6,788

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

X. Major Disaster Losses: None.

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

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

XII. Others

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

By function	For the Three Months Ended September 30, 2022			For the Three Months Ended September 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By nature						
Employee benefits						
Salary and wages	22,344	43,610	65,954	16,192	36,078	52,270
Labor and health insurance	2,233	4,423	6,656	2,214	4,382	6,596
Pension	925	1,962	2,887	894	1,930	2,824
Other employee benefits	228	640	868	235	929	1,164
Depreciation expense	4,771	7,603	12,374	4,681	7,149	11,830
Amortization expense	312	983	1,295	58	1,128	1,186

By Function	For the Nine Months Ended September 30, 2022			For the Nine Months Ended September 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By nature						
Employee benefits						
Salary and wages	58,523	119,049	177,572	79,032	153,583	232,615
Labor and health insurance	5,980	12,151	18,131	5,673	11,894	17,567
Pension	2,727	6,036	8,763	2,599	5,833	8,432
Other employee benefits	610	1,705	2,315	693	2,189	2,882
Depreciation expense	14,070	22,290	36,360	14,486	21,537	36,023
Amortization expense	834	3,068	3,902	77	3,269	3,346

- (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 nine months ended September 30, 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.

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

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

Unit: In thousands of shares/thousands of units/thousands of 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	8	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	780,035	10.93%	780,035	

4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT\$300 Million or 20% of the Paid-in Capital: None.
5. Acquisition of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital: None.
7. Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital:

Unit: NT\$1000

Unit: IN \$1000											
Company Name	Transaction counterparty	Relationship	Transaction details				Situation and reason of why transaction conditions are different from general transactions		Notes and accounts receivable (payable)		Remark
			Purchases/ sales	Amount	Ratio of total purchase (sales)	Remark	Unit price	Credit period	Balance	Ratio to Total Notes/ Accounts Receivable (Payable)	
The Company	Roda Computer GmbH	The Company is one of the company's three shareholders	Sales	206,329	10.28 %	45 days after delivery date	-	-	58,788	30.25%	

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	Relationship with transaction counterparty (Note 2)	Transaction details				As a percentage of consolidated total revenue or total assets (%)
				Account	Amount	Transaction terms		
1	Flexbasis	The Company	2	Accounts receivable	9,443	Net 60 days end of the following month		0.32
1	Flexbasis	The Company	2	Sales income	48,726	Net 60 days end of the following month		2.43

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

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

Note 3 : The above transactions were eliminated in the preparation of consolidated financial statements.

(II) Information on Investees:

The information on the Group's investees during the nine months ended September 30, 2022 is as follows:

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 (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%	29,524	19,820	12,898	(Note 1)

Unit: In thousands of shares/thousands of NTD

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.